Author:
University of Texas.

Title:
An analysis of ad valorem property tax bases in...

Place:
Austin

Date:
1941

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Texas. University. *Bureau of municipal research.*

An analysis of ad valorem property tax bases in Dallas. Prepared by the Bureau of municipal research, the University of Texas, with the assistance of the Work projects administration, Official project no. 65-1-66-309 ... Austin, The University of Texas press, 1941.

83 p. incl. illus. (plans) diagr., forms. 25½cm. (*Its* Municipal studies, no. 17)

1. Taxation—Dallas. 2. Taxation of personal property—Dallas. I. U. S. Work projects administration. Texas.

41-52695

Library of Congress HJ9320.T4 No. 17
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[a44r43g1] (352.0764) 336.2309764

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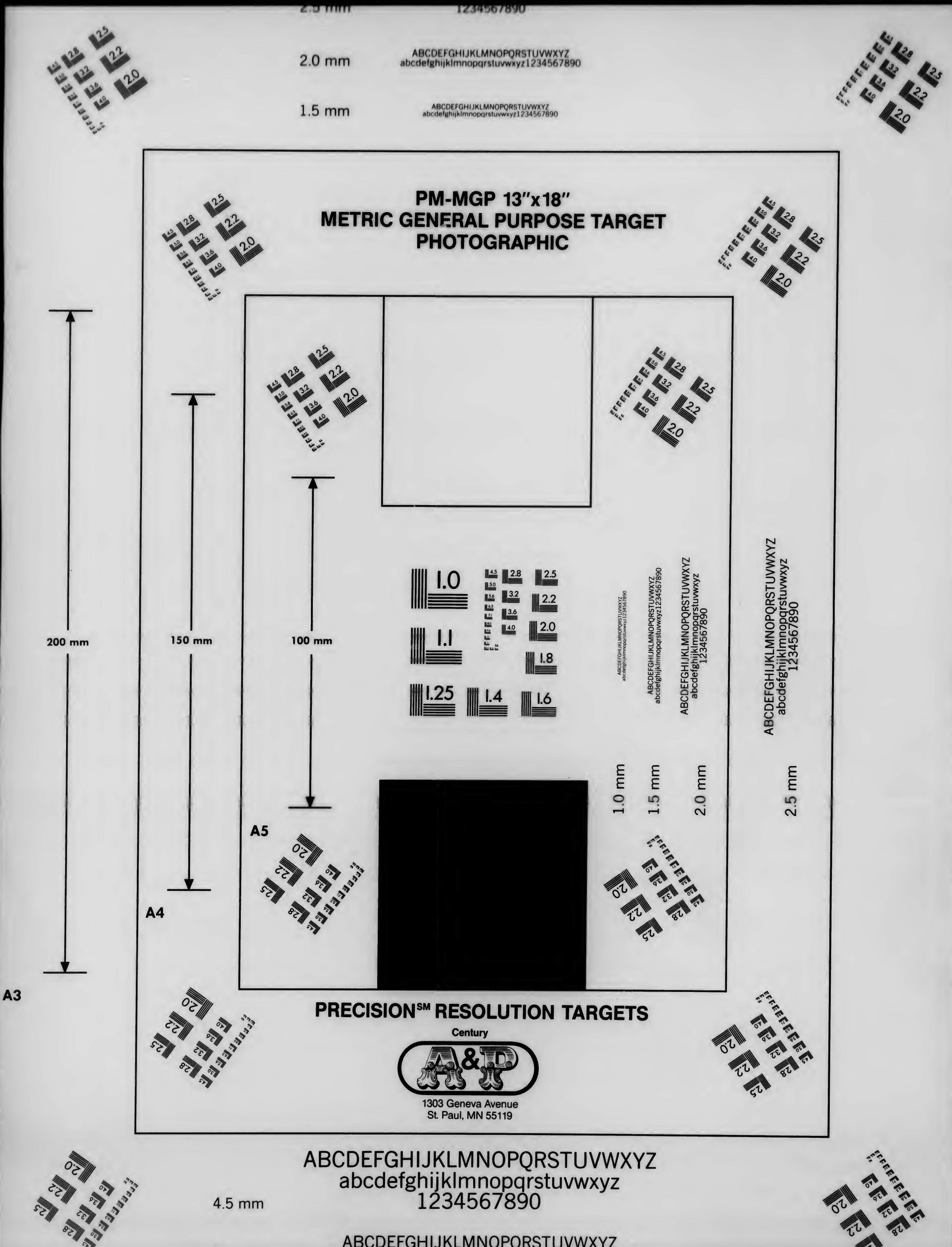

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AN ANALYSIS OF AD VALOREM PROPERTY TAX BASES *in* DALLAS

Prepared by
THE BUREAU OF MUNICIPAL RESEARCH
The University of Texas
With the Assistance of the
WORK PROJECTS ADMINISTRATION
Official Project No. 65-1-66-309

An Analysis of Ad Valorem Property Tax Bases in Dallas

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MUNICIPAL STUDIES No. 17

AUSTIN
THE UNIVERSITY OF TEXAS PRESS
1941

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FOREWORD

It is a recognized fact that little factual information has ever been tabulated on the subject of ad valorem taxation in Texas cities. In the belief that a need exists for these data, an attempt has been made to survey the tax systems of Dallas and Fort Worth. The studies were carried on simultaneously in the two cities, and the findings of the Fort Worth survey have been published under a separate cover.

This undertaking attempts to present the assessment practices as they were found to exist in the city of Dallas. This study follows the same general outline as that of the Fort Worth survey. In each case a complete examination of the assessment techniques was made and the system described. The many difficulties and problems of the assessor are disclosed, the administrative practices analyzed, and the discrepancies and weaknesses of the assessment system pointed out.

In reading this report it should be remembered that all the information, unless otherwise stated, was taken from the 1938 tax roll. Items that were left off of the original roll have not been included in this study. Despite the care that was taken in the collection of the material and in preparing it for this final report, no claim of absolute accuracy is made.

This work is to an unusual extent the result of co-operative effort. Mr. George C. Shannon, Research Assistant in the Bureau of Municipal Research, assisted in planning the undertaking, supervised the field work, and helped with the manuscript. Recognition is also accorded to Mr. M. G. Toepel who was formerly associated with this Bureau. Many of the original ideas regarding this study were his. Funds from the Work Projects Administration provided the necessary clerical assistance and made the study possible. Mr. D. Roy Parker, State Supervisor of the Research and Records Section, Work Projects Administration, and Mr. Paul E. Fidler, the Assistant Supervisor, aided in planning and supervising the project. Mr. Parker read the entire manuscript. Mr. J. A. Tracy, Assistant Assessor and Collector of the city of Dallas, gave enthusiastic support to the project, provided complete access to his records, and made his office available to the staff engaged in this work. He also read the manuscript in its entirety. Mr. James W. Aston, City Manager of Dallas, very willingly made provision for the necessary supplies used in the tabulation of the information. His fine spirit of co-operation made a very difficult undertaking less arduous. To Mr. A. Marcia, Project Supervisor, our sincere appreciation is expressed for his skillful guidance of the personnel. Kind acknowledgment is also made to Mr. Ernest C. Morgan, Project Foreman, for his work and personal interest in supervising and checking the statistical tabulations. Acknowledgment is also made to: Mr. Roy Douglass, Chief Collector; Mr. C. L. Parish, Chief Deputy Assessor;

Mr. Norman Register, Deputy Assessor; and Mr. K. F. Smith, Deputy Assessor, for the assistance which they gave in answering questions and in providing information.

Special acknowledgment is due to Mr. Aldro Jenks, formerly of the General Property Division of the Wisconsin State Tax Commission and now a member of this staff, who not only read and criticized the entire manuscript from the standpoint of a tax expert, but also rendered invaluable assistance in the drafting of the final copy. Appreciation is also expressed to Mrs. Helen Blackburn Rylander and Mr. Weyman W. Horadam, both of this staff, for their assistance in preparing the final manuscript and for their aid in directing it through the press.

STUART A. MACCORKLE

Director of the Bureau of Municipal Research

Austin, Texas
May, 1941

CHAPTER I

PROPERTY RENDITIONS

The administration of a municipal assessment system for tax purposes is divided into three general functions: the rendition of property, the assessment of property, and the recording of items relative to both. Theoretically, the assessment function is preceded by rendition since rendition is designed to determine property ownership for the benefit of the assessor. The rendering of property for taxation is a responsibility of the property owner; and under the provisions of the state law, the city council is given the authority to prescribe how and when he is to do so.[1] In addition the Dallas Charter provides that the governing body shall have the power to prescribe the oath that is to be administered to each person on the rendition of his property and to dictate how, when, and where the property is to be rendered.[2] This, however, it not all the law on the subject. As a matter of fact, the assessor is held responsible for procuring the rendition from property owners and for providing the necessary forms and records for recording these.[3]

Both state and local laws set out the rendition requirements and specify the property owner's responsibilities, but there is no provision for a definite penalty in case the property owner fails to comply with these laws. However, the Dallas Charter does provide that the governing body of the city shall have power by ordinance to levy a fine against all persons neglecting, failing, or refusing to make rendition.[4] It further provides that any merchant failing to comply with the rendition requirements shall be liable to such fine as may be imposed by ordinance.[5] But to date no such ordinance has been passed by the council.

In order to measure the effectiveness of the laws concerning the rendition process, it is necessary to consider to what extent the city council, the assessor, and the property owners have fulfilled their responsibilities. The council has never prescribed how and when the property owner shall render his property. Apparently the administrative policies as formulated by the assessing department have been entirely satisfactory since the council has not seen fit to change them. No ordinance is to be found prescribing the oath that shall be administered by the assessor at the time of rendition.

As regards the assessor, he has more than adequately met all of the responsibilities that have been assigned to him by law. At least ten days before the first of January of each year the assessor has caused to be published in the official newspaper the following advertisement which appears under that section of the paper designated for public notices:

---

[1] *Vernon's Texas Statutes* (1936), art. 1042.
[2] *Charter of the City of Dallas* (1931), Chap. XXII, Sec. 183.
[3] *Vernon's Texas Statutes* (1936), art. 1044.
[4] *Charter of the City of Dallas* (1931), Chap. XXII, Sec. 183.
[5] *Ibid.*, Sec. 184.

I, ..., Assessor and Collector of Taxes of the City of Dallas, State of Texas, do hereby give notice that all persons, firms, corporations and associations, public or bonded warehousemen, shall, beginning January 1st or before the first day of April of each and every year, furnish the Assessor and Collector of Taxes of the City of Dallas a full and complete statement, list and schedule, verified by affidavit, of all real and personal property situated in the City of Dallas, and all personal property located elsewhere and subject to taxation in the City of Dallas, owned, held or controlled by them, or in their possession as agent, bailee, warehouseman or custodian on the first day of January next preceding and shall in said statement, list and schedule, state the name and address of the owner or owners of such property. Such list, statement and schedule must be filed at the office of the Assessor and Collector of Taxes of the City of Dallas, in the Municipal Building, Dallas, Texas.

WITNESS my hand this .... day of ...., A.D. ....

(Signed)

The assessor may use other means of encouraging the property owner to render his property for taxation. Periodically an illustrated circular entitled *Your City of Dallas Tax Dollar* is distributed with the water bill; or a reminder to the effect "Render your taxes in person between January 1 and April 1, in order that the Tax Department may be sure to have your correct mailing address" is issued. The tax department also realizes the importance of providing adequate personnel in its office during the period renditions are being accepted.

Proper forms have been provided and the necessary records kept by the assessor's office. Two separate rendition forms are used. One form is used for the rendering of both real and personal property and space is provided for the description of the property, the assessed values of the land and improvements, and the total values. In order to simplify the process, the assessing division usually types the rendition sheets from the current tax roll, listing the properties and the assessed values of the preceding year on rendition sheets for each owner according to the tax records. When the owner appears to submit his rendition, the property which is listed in his name is checked and any changes which he designates are made on the current rendition sheet. A property owner disagreeing with the assessed values placed upon his property as designated on the rendition sheet signs the sheet under protest. This will assure him of being notified of the time and place of the meeting of the board of equalization in order that he may support his protest. The signature of the property owner is written at the bottom of the oath, but actually a verbal oath is seldom, if ever, required.

The other rendition form is used in obtaining the return of business personalty. This form is designed to represent a balance sheet in order that the status of assets and liabilities may be readily determined. The business

rendition form is usually mailed to the larger business concerns within the city to be filled out with the proper information and returned to the assessor as the rendition of assets. Since it is designed in the form of a fiscal balance sheet, it is usually sent to only those business firms which have a complete set of accounts and records. When these sheets have been filled in and returned to the assessor, they are entered on the regular personal property rendition sheet and the originals filed for future reference. In addition to the rendition sheets mailed out to many business firms, field deputies make a complete canvass of all businesses within the city. These outside deputies take renditions on the premises of each business firm, and in case the owner refuses to sign the sheets, the value of the property is estimated and assessed as unrendered. In summary it may be said that the assessor fulfills his legal responsibilities in the rendition process with perhaps the exception in some cases of not actually administering the rendition oath.

The law places the major responsibility of the rendition process on the property owner; therefore, unless he meets his responsibility, the law is ineffective. In order that the competence of the law be measured, Table I has been prepared, and it shows that 59.3 per cent of all property was rendered by 40 per cent of all property owners.

The table below divides the rendition information according to real and personal property. By classifying the renditions according to types of property, it is shown that 12,571 property owners rendered 28,153 pieces of property which were assessed at $102,138,480, while 26,907 real property owners failed to render 44,047 parcels of property which were assessed for $100,663,150. On the other hand, 8,047 owners of personal property rendered $64,408,905 assessed values of personal property. In comparative terms, these figures reveal that 32 per cent of real property owners rendered 39 per cent of the parcels of real property, as compared with 66.2 per cent of the personal property owners rendering 81.6 per cent of total assessed personal property. In addition to these figures concerning the rendition of personal property, separate tabulation has been made on the assessed value of automobiles, but no attempt has been made to determine the number of automobile owners rendering. The tabulation reveals that only 10,942 automobiles (29 per cent) were rendered for an assessed value of $1,723,460, which represents only 22.5 per cent of the total assessed value of automobiles.

A summary of rendered and unrendered property is found in Table II appearing below.

TABLE I

RELATION OF PROPERTY RENDITIONS ACCORDING TO TYPES OF PROPERTY

1938 TAX ROLL

Types	RENDERED Owner-ships	RENDERED No. Pieces	RENDERED Assessed Values	UNRENDERED Owner-ships	UNRENDERED No. Pieces	UNRENDERED Assessed Values	TOTAL PROPERTY Owner-ships	TOTAL PROPERTY No. Pieces	TOTAL PROPERTY Assessed Values
Realty	12,571	28,153	$102,138,480	26,907	44,047	$100,663,150	39,478	72,200	$202,801,630
Personal (Excluding auto.)	8,047	8,153	64,408,905	4,098	4,228	8,946,945	12,145	12,381	73,355,850
Total	20,618	36,306	$166,547,385	31,005	48,275	$109,610,095	51,623	84,581	$296,157,480
Automobiles*		10,942	1,723,460		26,601	5,922,420		37,743	7,645,880
Total Values			$168,270,845			$115,532,515			$283,803,360

*Automobile ownership was not determined.

TABLE II

SUMMARY OF RENDERED AND UNRENDERED PROPERTY

Type of Property	RENDERED Value	RENDERED Per Cent	UNRENDERED Value	UNRENDERED Per Cent	TOTAL ASSESSED Value	TOTAL ASSESSED Per Cent
Land	$ 45,869,100	52.5	$ 41,604,190	47.5	$ 87,473,290	100
Improvements	56,269,380	48.8	59,058,960	51.2	115,328,340	100
Total Realty	$102,138,480	50.4	$100,663,150	49.6	$202,801,630	100
Automobiles	$ 1,723,460	22.5	$ 5,922,420	77.5	$ 7,645,880	100
Utilities and Railroads	26,516,760	99.8	50,960	.2	26,567,720	100
Household Goods	358,610	37.0	611,690	63.0	970,300	100
Office Furniture	3,519,120	81.4	805,865	18.6	4,324,985	100
Merchants' Stock	16,226,790	91.8	1,452,100	8.2	17,678,890	100
Equipment, Plant	3,103,860	87.6	439,730	12.4	3,543,590	100
Intangibles	5,441,220	72.6	2,048,470	27.2	7,489,690	100
Personal, Not Specified	1,025,195	22.9	3,458,120	77.1	4,483,315	100
Other Personal	8,217,350	99.0	80,010	1.0	8,297,360	100
Total Personal Property	$ 66,132,365	81.6	$ 14,869,365	18.4	$ 81,001,730	100
Grand Total All Property	$168,270,845	59.3	$115,532,515	40.7	$283,803,360	100

The facts given above show that there is little variation in the proportions of the rendered values of land and improvements. The parcels of land rendered equaled 52.2 per cent of the total assessed values as compared with the 48.8 per cent of the assessed values rendered on improvements. The classifications of personal property renditions show that 99.8 per cent of all utility and railroad property was rendered for taxation. The other classification of personal property leading in rendered value is the business assets, which include merchants' stock, plant equipment, office furniture and intangibles. However, there is one type of business personalty classified as "personal property not specified" which shows only 22.9 per cent rendition. The fact that a higher ratio of personal property is rendered than of real property is explained by the difference in the methods of handling the renditions of business assets and of real property. As the preceding explanation shows, the opportunity of rendering real property is made available to the property owner, but the owner in most cases appears before the assessor or his deputies to submit his rendition; while in the case of personal property, the assessor goes to the owner to obtain his rendition.

The purpose of rendition of real property, as set out by the charter, is to obtain the correct ownership of the property rather than an indication of the value by the taxpayer. Thus the city tax department discourages the rendition of real property values but encourages the rendition of ownerships. But sometimes in the case of real and nearly always in the case of personal property the taxpayer places his values on the rendition sheet. The few differences have been tabulated and presented in Table III.

TABLE III

RELATION OF RENDERED VALUE TO ASSESSED VALUE

	Real	Personal*	Total
1. Total Assessed Value of Property	$102,138,480	$64,408,905	$166,547,385
2. Total Rendered Value of Property	101,573,007	62,821,149	164,394,156
3. Total Differences Between Assessed and Rendered Values of Property	565,473	1,587,756	2,153,229
4. Total Increase of Assessed Values Over Rendered Values	579,883	1,739,605	2,319,488
5. Total Decrease of Assessed Values Under Rendered Values	14,410	151,849	166,259
6. Per Cent of Increase Over Rendered Values	.571	2.77	1.41
7. Per Cent of Decrease Under Rendered Values	.014	.24	.1
8. Total Number of Instances Assessed Value Exceeds Rendered Value	668	788	1,456
9. Total Number of Instances Assessed Value is Less than Rendered Value	5	165	170
10. Number of Instances Assessed Value and Rendered Value Were the Same	27,467	7,200	34,667
11. Number of Pieces of Property	28,153	8,153	36,306
12. Per Cent of Increases	2.37	9.67	4.01
13. Per Cent of Decreases	.06	2.00	.05
14. Per Cent of Same Values	97.57	88.33	95.95

*These figures do not include automobile renditions because no attempt was made to show the difference between rendered values and assessed values.

The above table shows that of 36,306 renditions 34,667 (95.95 per cent) had the same rendered value as assessed value. Where changes occurred, most of them were in the rendition of personal properties. It was found that 788 personal property ownerships were assessed $1,739,605 above the rendered values as compared with 165 instances in which the assessed values were $151,849 under those rendered. The increase represents 2.77 per cent of the total assessed value of rendered personalty, whereas the decrease represents only .24 per cent of the total assessed value of rendered personalty. The values which the real property owners rendered were only slightly different from the assessed values. Of 28,153 pieces of property rendered, only 668 were rendered at values lower than the assessments. This difference represents only .57 per cent of the total assessed values of rendered properties. Whereas only 5 parcels of real property were rendered at a greater value than that assessed, 27,467 pieces (97.57 per cent) were not changed from the rendered value; and the assessed values of 2,554 pieces were protested by the owner at the time he signed the rendition.

The board of equalization is a quasi-judicial body that acts as a board of arbitration to decide controversies regarding assessments between the assessor and the property owner and also possesses the final assessing authority. This board is appointed by the council before the first of June each year and is composed of three members who may or may not be members of the council. It is required that they be taxpaying citizens and well acquainted with real estate values within the city. The charter provides that the duties of this board shall be to equalize and make all necessary

corrections and adjustments in assessed values; it possesses similar powers to those of the County Commissioners' Court in regard to the assessment function. The board has been given the power to compel the presentation of all books, bonds, documents, stocks, and other papers pertinent to the investigation of taxable values. The board may add to the rolls any property which has been omitted either for a current year or for prior years as the law may provide. Immediately upon completion of its work, the board of equalization must certify its approval of assessment rolls, and any person aggrieved by reason of the assessed value placed upon his property is entitled to be heard by the board on the basis of his complaint.[6]

Although an actual count revealed that 2,554 real property renditions were signed under protest, a study of the minutes of the board of equalization showed that very few taxpayers exercised their right of appeal by supporting their protest and appearing before the board for an adjustment. The tabulation in this analysis is shown in Tables IV and V. Table IV shows that only six owners of personal property appeared to contest assessed values.

TABLE IV

CASES REVIEWED BY BOARD OF EQUALIZATION

Type of Property	No. Owners	No. Prop.	Original Assessed Value	Board's Adjusted Value	Net Change	Per Cent Change By Value	Per Cent of Total Tax Roll
Real	586	963	$4,152,180	$4,045,180	$77,000	1.8	1.4
Personal	6	6	75,000	75,140	140	—	—
Total	592	969	$4,227,180	$4,120,320	$77,140	1.8	1.4

Because of the exceedingly small number of personal property owners appealing to the board, no analysis of the appeals of personal property assessments is made in this report. The 586 owners of real property who appealed owned 963 pieces of property, finally assessed at $4,045,180. The net result of their appeal to the board was a reduction of $77,000 in assessed value, which represents only a 1.8 per cent change from the original assessment of $4,152,180.

A further analysis was made of the appeals to the board of equalization as shown in Table V to demonstrate the relationship of renditions to appeals.

In conclusion it may be said that if criticism is to be found with the rendition process in Dallas, most of it must be directed against the property holder and the legislative branch of government and not against the assessing department.

[6]The legal authority for the creation of the duties of the board of equalization is found in Chapter XXII, Sections 190, 191, and 192, of the *Charter of the City of Dallas.*

TABLE V

RELATION OF REAL PROPERTY RENDITIONS AND BOARD OF EQUALIZATION CASES

Type of Rendition	Properties Before Board		Board Action			
			Lowered		No Change	
	No.	Per Cent	No.	Per Cent	No.	Per Cent
Property Rendered Under Protest without Designating Value	568	59	177	31	391	69
Properties Rendered with Owner's Value Designated	126	13	39	31	87	69
Total Rendered Properties	694	72	216	31	478	69
Properties Unrendered	269	28	86	32	183	68
Total Properties Before Board	963	100	302	31.3	661	68.7

CHAPTER II

THE ASSESSMENT PROCESS

A home rule city is empowered by state law to assess, levy, and collect such taxes as may be authorized by general law or by the city charter.[1] The statutes further state that the city is:

> to provide for the mode and method of assessing taxes, both real and personal, against any person or corporation, including the right to assess the franchise of any public corporation using and occupying public streets or grounds of the city separate from the tangible property of such corporation.[2]

Dallas being a home rule city, the city council is authorized to regulate the manner of making out the tax roll and the method to be used in the appraisal of property for taxation. The State Constitution also imposes certain regulations and restrictions upon municipal tax authorities. There is the constitutional requirement that:

> Taxation shall be equal and uniform. All property in this state, whether owned by natural persons or corporations, other than municipal, shall be taxed in proportion to its value, which shall be ascertained as may be provided by law.[3]

The Constitution further provides:

> No property of any kind in this State shall ever be assessed for ad valorem taxes at a greater value than its fair cash market value, nor shall any Board of Equalization of any governmental or political subdivision or taxing district within the State fix the value of any property for tax purposes at more than its fair cash market value.[4]

Under the power vested in it by the state, the city of Dallas has determined the policies to be followed in assessing property for ad valorem taxes.[5] The charter states that:

> All property, real, personal, or mixed, lying and being within the corporate limits of the City of Dallas, on the 1st day of January, shall be subject to taxation, excepting such property as may be exempt from taxation under the Constitution, and laws of the State of Texas.[6]

[1]*Vernon's Texas Statutes* (1936), art. 1165.
[2]*Ibid.*, art. 1175.
[3]*Constitution of the State of Texas*, Art. VIII, Sec. 1.
[4]*Ibid.*, Sec. 20.
[5]*Charter of the City of Dallas*, Chap. XXII.
[6]*Ibid.*, Sec. 181.

This clause defines the types of property which are to bear the burden of ad valorem taxation. The charter further provides:

> The Governing Body shall have the power to levy, for general purposes, an annual ad valorem tax on all real, personal and mixed property within the territorial limits of the City of Dallas, not exempt from taxation by the Constitution and laws of the State of Texas, based upon its true full value in money as provided by law, to the extent that the Constitutional limit permitted by the State of Texas, to cities of over five thousand population, the same being two dollars and fifty cents ($2.50) on each one hundred dollars ($100) valuation, and which said tax shall embrace all taxes for municipal purposes, inclusive of school taxes; provided that all taxes levied for school purposes or for the creation of interest and sinking fund on school bonds shall also be levied on all such property located within any territory annexed to the City of Dallas for school purposes only.[7]

The city council has exercised its authority each year by levying an ad valorem tax on all real and personal property, by further ordinance and resolutions approving the tax roll as submitted to them by the tax assessor, and by setting up an assessment ratio to be used as a basis of taxing property in accordance with its true value.

The major responsibility of administering the ad valorem tax system is placed upon the tax assessor and collector. In general, the assessor is charged with the responsibility of valuing all taxable property and with setting up a system of records accounting for all taxes assessed. To quote the charter:

> It shall be the duty of the Assessor and Collector of Taxes, between the first day of January and the first day of July of each year, to make and return to the Governing Body of the City a full and complete list and assessment of all property, both real and personal, held, owned or situated in said City on the first day of January of each year and not exempt from municipal taxation, and also a list of all banks, and other corporations whose capital stock is liable to taxation, with the cash value of the shares of stock of each such bank or other corporation and the names of the owners thereof.[8]

The charter further provides that the assessor shall "value each and every item of the property so rendered in accordance with the fair market price thereof upon a basis of valuation to be applied alike to all taxpayers," and that he "shall assess all property which for any cause has not been rendered, placing such valuation thereon as he may deem just," and "transmit to the Governing Body of the City all renditions thus made together with

[7] *Ibid.*, Sec. 208.
[8] *Ibid.*, Sec. 181.

a statement, verified by his oath, to the effect that he has truly, fairly and equally valued all such property."[9]

The greatest portion of the ad valorem taxes is produced from real property. The assessment of real property follows recognized techniques and falls into two distinct operations: (1) finding the ownership and appraising the land; (2) appraising and recording the improvements found upon the land. Land may change its utility and value, but since it is indestructible and immovable, its location is used as a basic reference for all assessments. Buildings require a different method of appraisal, but they may be identified according to the description of the land upon which they are located. This being the case, we shall first consider the methods employed in assessing land.

It is the assessor's responsibility to place upon the tax roll all land that is not exempt from taxation. In order to accomplish this task, it is necessary that the tax department maintain a plat book which shows dimensions and location of every parcel of land within the boundaries of the city. The information shown in the plat book conforms with the legal description of the property as given in recorded deeds, such as the city of Dallas block number, lot number, and the various dimensions of divided parcels. An attempt is made by the tax department to record in the plat book all divisions of property that have been filed in the deed records of the county of Dallas. Copies of deed records are received currently through commercial channels. Real property assessment sheets are assembled according to block numbers and checked each year with the plat books in order to be certain that all taxable property has been assessed.

Changes in ownership of land are also recorded from the same deed information on a separate unit record card. The unit record card (see Figure 1) is a method of accounting for each individual parcel of land.[10]

This card shows the name and address of the owner, the legal description, location of the land, the various changes of ownership, and other pertinent information employed in land appraisals. The unit record card is filed according to block and lot description and is used as a cross-reference file according to land location. After the description and ownership of land has been determined, the next operation in the assessment process is the appraisal of each parcel.

The appraisal of land involves the consideration of several economic factors which are used as the basis of value. Many of the present real estate appraisals were made in a general reappraisal of all property in 1935. However, since that time the assessor has made many adjustments in land values. These adjustments are the result of protests before the board of equalization. Protests, however, do not always mean that a revision of

[9] *Ibid.*, Secs. 187 and 189.
[10] The illustrated unit record card (Figures 1 and 4) is a revised model which is now being used by the tax department to a limited extent. At present the information on these cards contains only the owner and a description of the land.

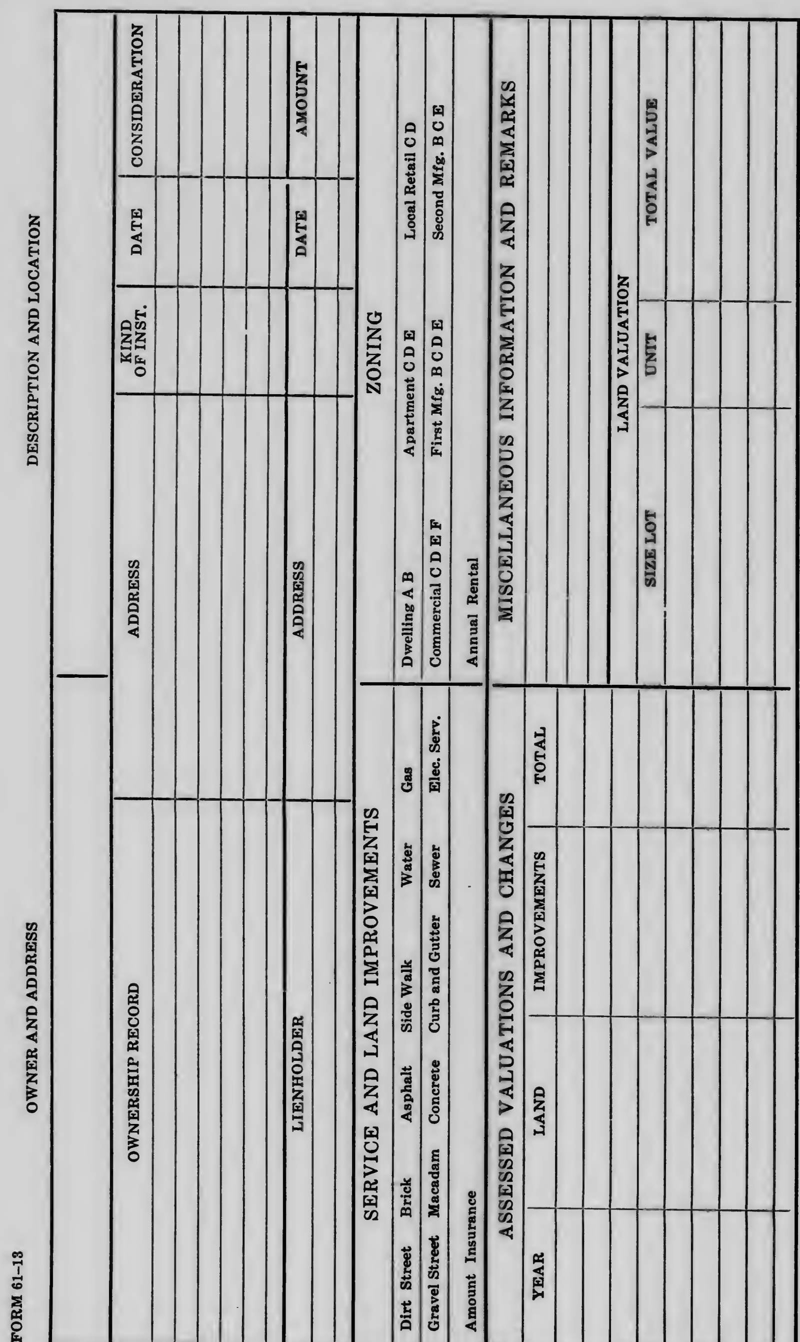

Figure 1

value should be made. Frequently, moreover, revisions are made when no protest has been filed. In instances where protests arise, a deputy assessor who is an expert real property appraiser immediately makes an investigation, confers with property owners surrounding that particular area, and determines from their opinions the value and the amount of income produced from the property in question. Finally, a check of the deed records is made to determine the current sales prices of various pieces of land within the area. With this information the assessor and his deputy are in a position to determine the worth of the property in question. If such an analysis reveals that an adjustment is necessary, a new value will be placed on all property within the surrounding area. A hypothetical example of the way such an appraisal analysis is made appears in Figure 2. This illustration includes the study of both business and residential property. The 36 lots shown in the lower half of the illustration are zoned for business purposes, and the 36 in the upper half are zoned for residential purposes. In making this study the deputy assessor visits the area and consults with the owners and occupants, obtaining their opinions as to proper values and revenues from rental property. The deputy then checks the deed records at the county courthouse to determine the recent sales value of properties within this area. All the factual information that he obtains is inserted on the land value map in much the same fashion shown in Figure 2.

The assessor and the deputy now study the notes and make an equitable analysis of property values within the area.

A unit method of appraisal must be employed in the valuation of land if the values are to be equitably determined. A review of the unit appraisal method will assist the reader in understanding the analysis to follow. The unit foot value is defined in terms of front foot of land. The unit foot value assigned is based upon a standard depth of 100 feet for business lots and 150 feet for residential lots. In other words, a standard business lot 100 feet deep by 40 feet frontage would be appraised by multiplying the number of feet frontage by the unit foot value. However, not all lots have a standard depth of 100 feet. If a lot is less than 100 feet in depth, naturally its value is less; or if the lot is more than 100 feet in depth, its value will be greater. In order to adjust such values, a depth table is employed (see Figure 3) which assigns a considerably greater value to the property depth nearer the street than it does to that at the rear of the lot. This table permits the rapid determination of value of any depth lot by merely multiplying the per cent factor of the standard value per unit foot. For example, Lot 3 in Block 9999 in Figure 2 is assigned $45 per unit foot and has a 50 foot width by 125 foot depth. The unadjusted value of this parcel would be the unit foot value times the width times the depth factor (see Figure 3, business property) which will give an equation of $45 times 50 times 1.108 (the depth factor) which equals $2,493 total value.

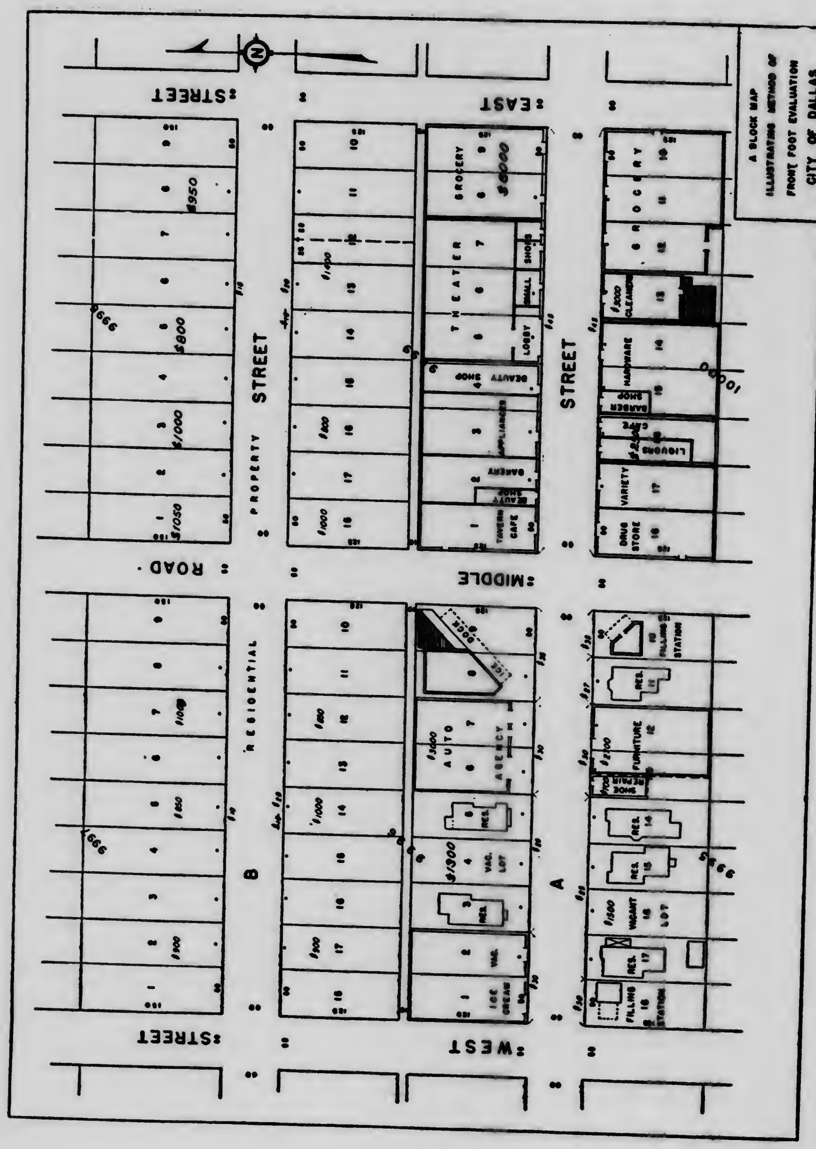

FIGURE 2

RESIDENCE LOTS*

DEPTH CURVE CITY OF DALLAS

Depth In Feet	Per Cent Factor	Depth In Feet	Per Cent Factor	Depth In Feet	Per Cent Factor
5	9.0	60	67.0	125	95.0
10	15.0	70	73.9	140	98.2
15	21.0	75	76.9	150	100.0
20	27.0	80	79.0	175	109.0
25	33.0	90	84.2	200	115.0
30	38.5	100	88.0	250	118.0
40	49.0	110	91.1	300	120.0
50	58.5	120	93.8	—	—

*Standard 150 feet.

BUSINESS LOTS*

DEPTH CURVE CITY OF DALLAS

Depth In Feet	Per Cent Factor	Depth In Feet	Per Cent Factor	Depth In Feet	Per Cent Factor	Depth In Feet	Per Cent Factor
1	12.00	25	52.82	49	72.00	96	98.13
2	16.51	26	53.78	50	72.67	98	99.07
3	19.90	27	54.72	52	74.00	100	100.00
4	22.72	28	55.65	54	75.29	105	102.27
5	27.38	29	56.55	56	76.57	110	104.48
6	27.38	30	57.44	58	77.81	115	106.64
7	29.39	31	58.32	60	79.04	120	108.75
8	31.26	32	59.18	62	80.24	125	110.81
9	33.00	33	60.02	64	81.42	130	112.83
10	34.61	34	60.85	66	82.58	135	114.81
11	36.19	35	61.67	68	83.73	140	116.75
12	37.59	36	62.47	70	84.85	145	118.65
13	39.09	37	63.27	72	85.96	150	120.52
14	40.44	38	64.05	74	87.05	155	122.35
15	41.75	39	64.82	76	88.13	160	124.15
16	43.01	40	65.58	78	89.19	165	125.91
17	44.23	41	66.33	80	90.23	170	127.66
18	45.40	42	67.07	82	91.26	175	129.37
19	46.55	43	67.80	84	92.28	180	131.07
20	47.66	44	68.52	86	93.29	185	132.72
21	48.74	45	69.23	88	94.28	190	134.37
22	49.80	46	69.94	90	95.26	195	135.98
23	50.83	47	70.63	92	96.23	200	137.28
24	51.83	48	71.32	94	97.19	—	—

*Standard 100 feet.

FIGURE 3

The same method is employed in arriving at the value of residential property except that the depth table uses 150 feet as a standard depth of residential lots.

With the facts before him the assessor is in position to determine the equitable value of both business property and residential property in the area. In the study of residential properties it is found that sales values appear on several of the lots facing "B" Street (see Figure 2). These sales values were reduced to unit foot values, and after the reduction the values placed on the north side of this street were found correct while the values designated on the south side of "B" Street should be changed from $18 to $20 per front foot. In the study of the property located within the business zone,

careful consideration was given the use of the property, its adaptability to its location, and the revenues received. A $45 unit foot value for the lots in Blocks 9999 and 10,000 facing "A" Street was found to be equitable, but the lots in Blocks 9996 and 9995 facing "A" Street could not be assigned the same unit foot value because of their use. For instance, the lots upon which residences are shown are not nearly so valuable to the owners as those lots upon which business buildings appear. The property being used for residential purposes within a business zone is unattractive, and the assessment should be adjusted to allow for obsolescence. However, at the same time, it must be remembered that this property has a potential value for business usage. Considering all the factors involved, such as sale price, personal opinions of owners, and experience with similar locations, it was determined that residential properties in this area should be valued at less than business properties. The value of the business lots in this same block were graduated downward in value as they became farther removed from the business center. By using this type of analysis of land values, equitable adjustments can be made and factual evidence obtained to support them. The tax department of the city of Dallas is putting emphasis upon land appraisals, and trained personnel is employed in this work. Many values have been lowered, and others have been raised, resulting in more equitable land assessments. An attempt is made to consider all the factors affecting land value, and formulae are employed to determine the values of irregularly shaped lots. A manual of these formulae is employed by the assessor, which manual contains the depth tables as shown in Figure 3. By referring to the manual, lands in one section of the city will be valued on the same comparative basis as lands in other sections. An increase of 10 per cent is made on all corner lots because of added utility value.

The appraisal of improvements requires the use of different assessment techniques. The first problem of the assessor is to determine where the buildings are located and when new buildings are constructed. The past records of the tax office reveal those buildings which have been previously assessed, but the records of new buildings and the removal of old buildings must be established in order that the tax records be complete. This information is obtained from the record of building permits which are issued by the building inspector's office whenever a new improvement is to be made or repairs made to existing structures. These permits record the location of the building, the type of building, and the estimated construction cost. An owner failing to obtain a building permit is liable to a severe penalty. Copies of all building permits are sent currently to the assessor's office and are there bound in such a manner that ready reference to them may be made. Annually these are checked against the tax roll to insure that all new structures have been added to the tax roll.

Buildings are assessed by the city of Dallas on the basis of reconstruction cost less depreciation. Almost all buildings constructed prior to 1935 were assessed in the blanket revalution of property which was made during that

year. The unit record card, which was mentioned previously in regard to land appraisals, is also used in recording the appraisals of buildings. The side of the unit record card used for building appraisals is illustrated in Figure 4, which is the reverse side of Figure 1.

This unit record card for building appraisals is so designed as to record all pertinent information used in determining reconstruction cost. The building is measured and a plat of the ground floor dimensions projected on a card. The structural features are checked and recorded so that the card reveals information concerning the kind of foundation, number of rooms, walls, roof construction, floors, plumbing, inside finish, built-in features, heating, lighting, the year built or remodeled, the present condition, and information relative to additional buildings. After these data are obtained, the field appraiser has sufficient information from which the value of the building can be determined. From the description upon the unit card the building is classified according to classifications set out in an appraisal manual which provides the unit cost for each type of building construction. After the unit value, expressed in terms of price per square foot, is determined from the manual, the reconstruction cost of the building is determined by multiplying the unit cost by the number of square feet in the building. From these reconstruction values a depreciation credit is deducted, thereby giving the estimated present value of the structure. Depreciation is determined in accordance with the age and the condition of the building. No particular set of formulae is used in making this deduction since it is determined by the field deputy and is based on observed physical condition.

When land and building values have been determined by the application of the methods outlined above, these are reduced by applying the assessment ratio to the estimated full value. This reduced value is called the assessed value of the property. The assessment ratio is set by the city council in the form of a resolution. The resolution for the year 1938, copied from the minutes, reads as follows:

> It was moved and seconded that the tax rate for the year of 1938 be fixed at $2.49 per $100 of assessed value, and that the basis of assessment be fixed at 53 per cent and the City Attorney be instructed to prepare the necessary ordinance to levy the tax.[11]

Upon this authority the assessor places the assessment on property at 53 per cent of its actual value. If the full value of the property is $10,000, the assessed value will be $5,300.

Although the records of the tax department are designed to permit the appraisal of buildings in the scientific manner described above, the lack of personnel has made the appraisal of improvements a somewhat neglected function. Instead of the tax department's appraising new buildings for

[11]*Minutes of the City Council*—Dallas, vol. 48, p. 479.

BUILDING SKETCH

RESIDENCE

BUSINESS BUILDING

RESIDENCE

BASEMENT: Whole, Part, Finished, Unfinished, Size ——X——

FOUNDATION: Concrete, Posts, Brick, Stone, Piers, Blocks

EXTERIOR WALLS: Brick {Veneer, Solid, Common, Press}; Stone {Solid, Veneer}; Frame, Corr-Iron; Stucco, Concrete; Hollow-Tile, Steel; Concrete-Tile; Terra-Cotta; Box; Weatherboard

ROOF CONST.: Flat-Hip-Gable; Cut Up-Dormer; Saw-Tooth; Truss {Wood, Steel}

ROOFING: Shingles {Wood, Comp., Asbestos, Tin-Slate}; Tile {Clay, Metal}; Comp. Corr.-Iron; Tar-Gravel-Tin

FLOORS: Single; Double; Pine {Plain, Edgegrain}; Hardwood; Concrete; Tile-Marble-Dirt; Bath Room {Plain, Tile}

INSIDE FINISH: Papered, Sheetrock, Plastered, Beaverboard, Ceiled, Metal-Ceiling, Shiplap, Unfinished

PLUMBING: Bath Room, Toilet, Lavatory, Tub, Shower, Sink, Wainscoted

HEATING: Stoves {Gas-Coal, Wood-Oil}; Furnace {Gas-Coal, Wood-Oil}; Radiator {Gas, Steam}; Fireplace

LIGHTING: Electric, Lamps

BUILT-IN FEATURES: Buffet, Breakfast Room, Kitchen Cabinet, Book Cases, Patent Bed, Refrigerator

ADD. FEATURES: Cooling System, Elevators, Sprinklers

CONSTRUCTION: Good, Medium, Cheap, Mixed

CONDITION: Good, Fair, Poor

BUSINESS BUILDING

BASEMENT: Whole, Part, Finished, Unfinished, Sub-Basements, No. ——, Size ——X——

FOUNDATION: Concrete, Posts, Masonry, Piers, Blocks

EXTERIOR WALLS: Bldg. Front: St. 1-2-3; Brick {Veneer, Wood}; Stone {Frame, Brick, Stone}; Solid Masonry {Tile, Thickness}; Face Brick; Terra-Cotta; Box; Stucco; Corr-Iron; Weatherboard; Story Hts. ——; Over-all Ht. ——

ROOF CONST.: Concrete, Steel, Wood-Thickness, Insulation

ROOFING: Shingles {Wood, Compo., Asbestos, Tin Shingle}; Tile {Clay, Metal}; Slate; Flat {Compo., Corr.-Iron, Tar&Gravel, Asphalt, Tin-Copper}

FLOORS: Single Double; Pine Hardwood; Concrete Marble; Tile Terrazzo; Dirt; Private Pavement; Sq. Ft. ——

INSIDE FINISH: Papered, Sheetrock, Beaverboard, Shiplap, Plaster {Plain, Ornamental}, Ceiled Wood, Metal Ceiling, Marble, Vaults

PLUMBING: No. Fixtures

HEATING: Stoves; Furnace {Gas, Coal, Oil}; Floor; Radiators {Gas, Steam}

LIGHTING: Electric, Gas, Lamps

ADD. FEATURES: Cooling System, Refrigeration, Cold Storage, Elevators {Pass., Freight}, Sprinklers, Sound Conditioning, Power Plant, Additional-Describe

CONSTRUCTION: Good, Medium, Cheap, Mixed

CONDITION: Good, Fair, Poor

Street	SIZE	HEIGHT	SIZE	HEIGHT
	X		X	
	X		X	
	X		X	
	X		X	

Type Bldg. — No. Rooms — Remodeled — Built — Class: Owner, Tenant — No. Sq. Ft. (Price Per Sq.Ft.) — No. Cu. Ft. (Price Per Cu. Ft.) — Reproduction Value $ — Depreciation % — Present Value $ — Additional Bldgs. $ — Total Value All Buildings $ — Total Value Land $ — Total Gross Valuation $

ADDITIONAL BUILDINGS

1 Car Garage	2 Car Garage		Cons. Frame		Brick		
Serv. Quarters	Frame	Brick	Box	Floors	Dirt	Wood	Concrete
Size x	Height		Number Square Feet				
Price Per Sq. Ft. $	% Depreciation		Present Value $				

NEW BUILDINGS

ADDITIONS AND ALTERATIONS

Date of Permit			
Amount	Year	Amts.	Added Value $
	Year	Amts.	Added Value $

Inspection and Remarks:

taxation, this function has been delegated to the inspectors of the city's building inspection division. Although this arrangement lessens the work of the assessing division, there are several bad features to it. In the first place, the responsibility for assessing real estate is placed by law directly in the hands of the assessor, thereby making him responsible for its appraisal value. The law does not assign to the building inspector any definite responsibility nor are his appraisals based upon a standard method. The result is that similar buildings are not always assessed on a similar basis. If such practice is to be continued, a manual of building appraisals should be used by the building inspector so that uniformity of assessments will result.

The city is now making plans to bring the assessor's unit card system of appraisals up to date by sponsoring a WPA project which will include a complete physical inventory of all real property in the city. This inventory will bring the unit record cards up to date in such a manner that a complete revaluation of real property can be made at a minimum cost.

The assessment of personal property requires the use of specialized techniques. The physical character of personal properties prohibits the use of an exhaustive scientific method of appraisal as is used for real estate since these properties take various forms and their value is determined in numerous ways. All this means added expense; so the assessor, in order to avoid such, resorts generally to the owner's rendered value.

As is the case with all property, the first step in assessing personal property is finding it and determining its owner. This operation is particularly difficult since personal property is easily concealed and moved from one place to another. Every family having an income above a subsistence level possesses some form of personal property; it may be an automobile, furniture, jewelry, a bank account, or investments. These items of personal property are treated by most people as being personal matters and therefore of no public concern. Because of this attitude on the part of the public, the assessor has not been able to enforce assessment of such property except to a very limited extent. As a matter of fact, practically all personal property assessments are on business personalty. The tax laws themselves are much more specific in regard to the assessment of business personalty than with other types of personal property. Again, business assets are somewhat fixed in character; many of them are tangible and exposed to the public eye. For these reasons the discovery of this type of property is not so difficult.

The assessor places deputies in the field who are experienced in taking renditions and in making assessments of business properties. Each is given a separate territory, and a route book is made up of all business establishments on each street within his territory. An excerpt from one of the route books is given in Figure 5.

The field deputy follows this route book in taking renditions, and wherever an establishment has been closed or a new one opened, a notation is made in the book. This method assures fairly complete coverage of all businesses in the downtown area and in the outlying business and residential districts.

ROUTE SHEET FOR THE ASSESSING
OF BUSINESS PERSONALTY

Street—S. Beckley

Street No.	Name of Firm	Last Assessed Values Jewelry-Mdse.	Cash	Accts. Notes	Autos.	Mchy.	Office F.F.
106	Oak Cliff Radio Service	300	—	—	150	—	100
114	Gena Laboratories	1020	—	—	—	—	150
116	Tiptons Cleaners & Dyers	—	—	150	—	250	
211	Greene's Garage	—	—	—	—	100	
209	Huber Chris Grocery	610	280	1600	250	—	760
211	Midway Pharmacy	2500	—	—	—	—	1500
300	Sherwin-Williams Co. of Tex., The	2210	40	—	110	—	300
301	Red Cross Pharmacy	2320	70	—	—	—	2000
303	Smith, M. E.	610	—	—	—	—	200
303	Absher, F. W.	—	—	—	—	—	200
305	Sandwich Inn	—	—	—	—	—	250

FIGURE 5

The route book also lists the values of the items assessed the preceding year in order that a check may be made on current rendition. Upon entering the business establishment the assessor seeks a rendition of assets from the owner. Very frequently the two will work out together the values to be used in the appraisal. However, in some instances the deputy is ignored and is compelled to make a personal appraisal of the business assets based upon those items physically exposed. In either case the deputy refers the rendition sheet to the assessor, and the property is then placed upon the tax roll. The larger businesses not rendering their property are compelled to open their books to the deputies in order that an appraisal may be made.

In making the assessment of corporations and large business establishments, rendition sheets are mailed to them with a request that they submit their renditions as taken from their December 31 balance sheet. As explained in Chapter I, the rendition sheet is in the form of a balance sheet. After the rendition has been completed and returned by the corporation, a check is made with the records submitted by these same corporations to the State Comptroller's Office at Austin. If the values of the assets and liabilities rendered agree with the records of the State Comptroller, they are accepted and used as a basis for tax assessment. Whenever a difference in the two statements appears, the assessor may find that one statement is prepared for credit purposes and the other is made for tax purposes. In such cases the firm is contacted and a thorough discussion of the asset values follows. This check of the rendition with the Comptroller's records has proven to be well worth the trouble and expense involved.

The business assets on which the estimated value is most difficult to estimate are machinery and equipment. Included in this group are the utility and railroad plants. In most instances these assessments are based upon the book values ascribed to their equipment by the management. If there is a question as to the acceptability of these renditions, the assessor and a representative of the company discuss the matter. Railroad trackage is usually assessed at so much per lineal mile, while other portions of the equipment

are ordinarily not segregated in the rendition. In the case of utilities, the book values of these are checked by the supervisor of public utilities, and the entire value of the business is used as a basis of assessment. The value of the property lying outside the city limits is segregated and deducted from the city tax roll. More serious problems are encountered in the valuation of industrial plant equipment, for here in many cases the machinery and equipment is designed especially to meet the individual needs of the company. For this reason it is very valuable to the owner but, because of its design and use, would be of little worth to another owner unless he were to secure the entire business. In the face of these facts, the assessed value placed upon such property is usually low. Were this property to be assessed scientifically, the services of expert industrial plant engineers would be required by the assessor, and their services are expensive. In practice then, the assessor usually takes the actual depreciated book value of this equipment comparing its value, when possible, with that of equipment in similar establishments within the city.

The value of the inventory appearing on most balance sheets may nearly always be expected to represent a very conservative figure of the merchandise owned by the establishment. This makes possible the showing of a very conservative profit upon the computation of profits and losses. The depreciation of obsolete or shopworn inventory, which is represented in the inventory value on the statement, means less income tax and lower assets, which in turn leads to a lower ad valorem tax. Another factor to consider in inventory of most retail establishments is that this inventory is usually at its lowest level after the busy holiday season; therefore, values as of January 1 will be lower than the average for the year.

Another type of inventory which requires special handling for assessment purposes consists of stocks of merchandise stored in public warehouses. The procedure as outlined in the law for assessing stored assets requires the warehouse managements to submit to the tax assessor a complete list of the various lessors having goods stored therein as of January 1. The assessing officer then mails copies of the personal property rendition receipts to the home office of each firm so listed in order that each may complete its rendition sheet and return it to the assessor. Whenever possible an actual check of the commodities stored in the warehouse is made by an agent of the assessor's office. In some instances the companies threaten to move their goods to nearby towns where their stored merchandise will be exempt from municipal taxation. Such a threat places considerable pressure upon the local assessor since the threat is accompanied by the implied contention that other cities exempt these goods from taxation.

There are several different types of business which are taxed under special statutes, such as banks, insurance companies, building and loan associations, and investment companies.

The assessment must be made against the owner of the shares and not the bank. All bank shares are assessable in the place where the bank is located no matter where the owner of the shares may reside.

* * *

Real estate is the only item of property assessable to a national bank. It is not liable for any personal property taxes as the personal property owned by national banks is specifically exempted from assessment and taxation by United States laws.

A state bank is liable for taxes on both real property and personal property. There is nothing in any law exempting either the real estate or personal property of state banks. They are required to make rendition in the same manner as are national banks and the value of the bank stock is determined in exactly the same manner. Both state and national banks are permitted to deduct capital stock if it is owned by the Reconstruction Finance Corporation, otherwise it is not deductible in determining the value of the bank shares.[12]

Insurance companies are assessed on the total admitted assets, deducting the value of their real estate, tax exempt securities, and legal reserve. Building and loan associations, according to law, are assessed on the value of their real estate, furniture and fixtures, and all stocks and notes. The book value of stock and accounts payable is deducted from the total admitted assets, and the balance is considered the taxable value of their personal property. Investment companies are subject to taxation, and the general law provides that their taxable value is to be the total of admitted assets less real estate and nontaxable securities. Examination of several assessments in each of these types of business shows that the assessor of the city of Dallas is complying with the statutes in almost every case.

The assessor is also making an effort to set up assessment standards on various types of personal property. One of the best examples of this standardization is the practice used in assessing filling station equipment. Investigation of filling stations showed that in many instances the land is owned by one party, the building by another, and the equipment, such as pumps, air compressors, and grease racks, by still another, usually the oil company. These different assets are in most cases leased to an owner-operator. The merchandise, consisting of automobile accessories, is often owned by the owner-operator himself, but in some instances a stock of tires is found to be owned by a wholesale tire dealer. Because of this multiple ownership, an accurate check of each station must be made. Prior to the assessing date of January 1, a representative makes a check of all filling stations within the city, listing the number and kinds of pumps, air compressors, grease racks, inventories, etc., designating the value of the merchandise and equipment belonging to the owner-operator, listing the proper owner and the value of consigned accessories and tires, and determining

[12]J. M. Darwood, *The Assessment of Banks*, 1940.

the value of the building if it is constructed on leased land. In order to simplify the work, a schedule of assessed values (53 per cent) on filling station equipment is used as follows:[13]

Electric pumps	$ 75
Visible pumps	50
Air compressors	100
Grease lifts	100
Grease racks	25

After all information has been gathered, tabulations are made of all filling stations, and the proper assessments are made against the owner-operator, the oil company, tire dealers, and others who are involved in the ownership and operation of the stations. Similar studies have been made on ice plants and ice docks in order that equitable assessments may be placed upon properties of this character. At the time of writing, a like survey is under way concerning the assessment of chain store assets. Since the passage of the state chain store tax, operators have formulated a new policy. Instead of having a decentralization of small neighborhood stores, several of these have been consolidated into a grocery supermarket. A study of these, such as the ones mentioned above, will be undertaken in the near future by the newly-created personal property division of the tax department.

The rendition sheet used in the assessment of personal property lists the various types of property and designates space for the value of each type. However, many business renditions have ignored these designations of property type values and instead have used a lump sum value to cover all assessments. When renditions are returned in this form, it is often an indication that an attempt to evade the full assessable values has been made. Nevertheless, the assessor also is guilty of placing lump sum values on some businesses in order to cover all the types of assets. The basis for this practice is found in the argument that lump sum assessment is made only in instances where the assessments are estimated and no attempt has been made to value each item separately. It is further contended that if such items were valued separately, the assessments on some items would be too high while upon others it would be low. In such a case the owner would contest those values too high to the board of equalization and upon presentation of proof they would be lowered; while the assets valued too low, more than likely, would remain so. The lump sum assessment is used to eliminate this possibility by balancing the overassessed values against the underassessed values, thereby forcing the property owner to prove the worth of all assets instead of only those individual types which might be assessed too high.

On the other hand, the individual itemization of assessed values often has advantages. In the first place, if the assessor has placed too high a value upon the individual assets, the owner will protest the value; the result might be a discussion of all assets and a proper assessment could be the outcome.

[13]This schedule is taken from a paper presented at the 1940 Conference Meeting of the League of Texas Municipalities at Fort Worth, Texas, by Mr. Kenneth F. Smith of the tax department, Dallas.

Also the individual itemization method identifies to some extent the type of property assessed, and the assessor would have a better basis for identifying the property if tax delinquency should force the action of seizure. This method also provides a check list for the assessor in ascertaining that all assets have been included. Office furniture, office equipment, personal libraries, and the fixtures of small concerns, such as barber shops, meat markets, etc., are usually valued at very conservative figures. No standard value is placed on such equipment. Generally, the comparative method of assessment is used in these instances.

Although the greatest effort is spent in assessing business property, some endeavor is made to obtain assessments on individual personalty. One of the major items in this group is household goods. The state law provides that value to the extent of $250 in household goods shall be exempt. Most assessors feel that after deducting this $250 from the total value of the average household furnishings, such a small amount would remain for tax purposes that it would not be worth the time and expense necessary to collect the tax. However, in those cases where fine homes and large estates are assessed, an attempt is made to value the household furnishings. But in these instances a very conservative value is placed upon the property.

In the case of apartment houses, which may be classed as a business asset as well as personalty, a schedule of values is used in order that equitable assessments may be made on apartment furnishings. This schedule is as follows:[14]

1 Bed Room Apt. Furn. with Individual Refrigerator	at	$130
1 Bed Room Apt. Furn. with Central Unit Refrigerator	at	120
1 Bed Room Apt. Furn. with No Refrigerator	at	100
2 Bed Room Apt. Furn. with Individual Refrigerator	at	150
2 Bed Room Apt. Furn. with Central Unit Refrigerator	at	130
2 Bed Room Apt. Furn. with No Refrigerator	at	120
Efficiency Apt. Furn. with Individual Refrigerator	at	120
Efficiency Apt. Furn. with Central Unit Refrigerator	at	100
Efficiency Apt. Furn. with No Refrigerator	at	70
Bachelor Apt. Furn. with Individual Refrigerator	at	100
Bachelor Apt. Furn. with Central Unit Refrigerator	at	70
Bachelor Apt. Furn. with No Refrigerator	at	50

Another form of personalty is included under the classification "other personal property." This classification includes assessments of jewelry, musical instruments, cattle, horses, and other items of personal wealth not distinctly classified. Generally the assessment of these is obtained only through voluntary rendition, and the rendered value is nearly always accepted as the basis of assessment.

The type of individual personalty on which the greatest assessment value exists is automobiles. It so happens that the laws concerning the ownership and operation of motor vehicles provide a convenient method of assessment, although the method may not be too efficient. All owners of automobiles are required to secure state and county licenses each year, and from these records the city assessor may determine the ownership of motor vehicles as

[14]See footnote 13.

well as their descriptions. Receipts which show the owner residing within the city limits are checked against the personal property assessment records to determine if the automobile licensed has been previously rendered for taxation. The automobiles which have not been rendered are listed on a supplemental tax roll with the name and address of the owner, the make of automobile, the body type, and the year model. In placing a value upon these cars, the assessor uses the *National Used Car Market Report*. This report contains the current prevailing prices of various makes, models, and types of automobiles. Prices are based upon information obtained from dealers and from meetings of used car appraisers throughout the country. As a result, the prices are recognized as standard used car values and provide a basis for assessing automobiles uniformly. In other words, all automobiles of the same make, model, and body type are, theoretically, given the same values. After these values have been determined, they are assessed on the 53 per cent tax ratio basis. The prices as quoted in the used car manual are wholesale prices and do not consider the factors of freight charges or extra equipment; therefore the assessed values on automobiles are in most cases conservative.

There are several faults in this system of automobile assessing which should be corrected. The only source of information that the assessor may use is the state automobile license duplicate receipts, and this does not always supply him with accurate information. The primary objection is that the automobile licensing date is April 1, and the assessment date for the automobile owner is January 1. During the period between the licensing date and the taxing date many automobiles are sold and traded. In cases of ownership change a large part of the data taken from the license receipts are inaccurate and of no value for tax purposes. Another difficulty which the assessor encounters is in obtaining information in regard to the address of the owner. Many people living outside the city limits give their addresses as within the city limits. Naturally they are assessed although they are not subject to city taxes. Also, many automobile tax statements are returned because of incorrect addresses, the owners having moved between April 1 and October 1, the time the tax statements are mailed. The automobile description is often incomplete as found on the license receipt, thereby causing the process of valuation to be difficult and inaccurate. It can readily be seen that if the administrative function of assessing automobiles for taxation is to be improved, the assessor will have to be given better facilities from which he may obtain his information. If the state and county license receipts are to remain the primary source of information, the licensing date should be advanced from April 1 to January 1 in order that the assessor may establish correct ownership as of the assessment date. A more conscientious effort will also have to be made by the automobile license bureau to enter on the license receipts the owner's correct address and the complete description of the vehicle.

This chapter would not be complete without a word in regard to intangibles. The valuation of intangible assets which include stocks, bonds, accounts receivable, and cash is determined by various methods. At present there is

no means by which the assessor is able to determine the ownership of stocks and bonds except by the process of rendition. Consequently when this type of asset is rendered, the assessor takes a very lenient attitude and assesses it at a low rate in order that those who are conscientious enough to render their property are not penalized. It is felt that the return on this type of investment is not sufficient to apply the full tax value. For example, a $1,000 bond grossing a return of 3 per cent would return $30 interest. If the full assessed value were applied to the tax rate of $2.49 per $100, the taxes on the $530 assessed value (53 per cent) would equal $13.23, thereby leaving a net return of 1 2/3 per cent on the investment. The accounts receivable asset is valued on the basis of deducting the accounts payable from the accounts receivable and applying the assessment ratio to the remainder. This procedure is in keeping with the wording of the law. Whenever the amount of cash on hand can be determined, it is assessed on its face value. Stocks and bonds, money, and accounts receivable are very easily concealed from the assessor. Some are hidden in safety deposit boxes and actually written off of the books, and others are secluded until the assessment period has passed. The only means which the assessor has for checking the rendered values of these assets is examining the books of the individual or firm, and even then it has been found that often three sets of books exist: one for the creditors, one for the assessor, and one for the owners. The assessor is not permitted to ascertain the personal bank balances of individuals as of January 1.

This review of the techniques used in assessing personal property by the tax department for the city of Dallas brings to light many problems. It is commonly known that a large portion of personal property is escaping taxation, thereby placing the major portion of the tax burden upon real estate. The fact that such a condition exists is not due entirely to the failure of the assessor to perform his duty, but more often than not, it is a result of inadequate and faulty legislation. Finally, all too frequently the taxpayer makes a deliberate and vigorous effort to evade his responsibility.

CHAPTER III

SALES AND ASSESSED VALUES

In various instances Texas courts have ruled that the term "fair market value" is synonymous with sales value and have interpreted this as being "the amount of money that a person desiring to sell, but not bound to do so, could, within a reasonable time, procure for such property from a person who desires and is able to buy, but is not bound to purchase the property. It is the amount that could be obtained at private sale, but not at a forced or auction sale."[1] The Constitution, State Statutes, and the Dallas Charter all stipulate that sales value shall be used as the basis upon which to determine the assessed value of property. At the same time the statutes also provide that all property shall be assessed equitably and that the assessor may place such valuation upon properties as he may deem just. A review of the techniques as outlined in the previous chapter will show that the assessor makes use of sales data in his process of evaluation; however, other factors are given due consideration in arriving at an equitable assessment.

Among these, mention should be made of the cost of replacement and consideration given to depreciation based upon the property's physical condition. Materials, quality, and workmanship are likewise considered in determining physical value. Use also is taken into account in estimating value, although there is no specific procedure for measuring it. Use value is intangible; it may be based upon the property's usefulness in producing profit for the owner or upon the satisfaction and enjoyment he derives from possession. For instance, industrial firms with great amounts of merchandise to be shipped would benefit more from property located adjacent to railroad trackage than from property not enjoying such facilities. The same might be true of a retail firm. Again, the adaptability of buildings for business usage may be considered as a factor influencing value; for instance, a grain elevator has a definite value to a flour manufacturer, but it would have less value to a furniture retailer. The use factor is also an item for consideration with respect to residential properties. The worth of a home is based not only upon its utility, but also upon the tastes of the individual owner. Enjoyment of occupancy, sentiment, past associations, and esthetic considerations are all factors to be weighed in the measurement of use values.

Finally, another factor which the assessor considers in determining an equitable assessment is the earning power of property as an investment. Income alone does not constitute value, but the earnings of property, either gross or net capitalized, indicate the value at which the investor would receive a fair rate of return on his investment. The important item in computing valuation by capitalization of income is the rate of capitalization. This varies in different cities and for different classes of property. In order to determine a proper rate of capitalization, an allowance must be

[1]West Texas Hotel Company v. City of El Paso, 83 S.W.(2d) 772, May 23, 1935.

made for interest, taxes, upkeep, operating costs, depreciation, and usual contingencies. If values are to be based on income, the amount of income that a property is capable of earning rather than the actual earnings must be considered.

The assessor therefore realizes that the market value, as defined by the courts, cannot be used as the sole basis of assessment if equity is to be obtained. As a matter of fact market value is most difficult to determine. Even in those cases where properties have an active market and recorded sales values are available, the sales cannot always be accepted as representative of market value. Where property is actively bought and sold, some of it may change ownership many times within a short period and each time for a different consideration. For instance, a piece of property is sold one day to a speculator-investor, and he resells it the next for a 25 to 50 per cent profit. Which of the two sales may be considered the fair market value?

The courts have said that a fair market value results when a transaction is consummated between a willing seller and a willing buyer. But when may such a condition be said to exist? A willing buyer may be one who is easy to sell and therefore purchases property at a much higher price than another buyer who drives a hard bargain. Again, a willing seller may be someone who seeks his returns through a large volume of turnover with small profits from each sale; or he may be a seller who is able to delay a sale until a buyer can be found who will pay the price that the seller has asked for the property.

Many properties are sold on an installment basis, and the actual market values are inflated because additional charges have been included to cover the risk involved. Very frequently too, cash is an influential factor which leads to a reduction in the sales price. The value of most properties, commodities, or merchandise will vary with general economic conditions of the time. Another obstacle which prevents the assessor from complying with the letter of the law is the lack of sources from which he may obtain accurate information concerning sales transactions. The true consideration for the transaction may be concealed by the insertion in the deed of fictitious values and terms such as "other considerations," etc., in place of the actual sales price. Even in those cases where definite amounts are shown in the deed, how would the assessor be sure that it represented the fair market value of the property unless all the circumstances of the sale were known? These are some of the practical problems which the assessor faces in attempting to apply the present law regarding sales values.

Factual information concerning the differences between representative market values and assessed values has been gathered in a survey which compares the 100 per cent assessed values with the sales values. In order to make this study as valuable as possible, the only sales that have been used in this comparison are those that appeared on the surface to be bona fide under the conditions set forth in the court's definition of sales value.

The only source from which the sales information could be obtained was the deed records. The following requirements and restrictions were set up for determining which deeds would be acceptable for information:

1. Only transactions by warranty deed were considered.
2. No transaction was considered in which the names of the grantor and grantee indicated family relationship. Such transactions were excluded because of the possibility of price concession by one party or the other.
3. No transaction was considered in which the grantor was not a living owner or the agent of a living owner. Sales by administrators or executors of estates were eliminated because of the likelihood that the transaction was a sacrifice sale to liquidate the estate.
4. No transaction was considered in which the grantor and grantee were not residents of Dallas County or the immediately adjoining counties, except when such grantors or grantees were corporations domiciled elsewhere with a local agent acting for them. This rule was adopted in order to exclude sales to persons having no opportunity to obtain knowledge of local property values.
5. No transaction was considered in which evidence was available to indicate that the transaction was the result of a trade; e.g., if a price for the property was mentioned in the deed, or if one instrument showed John Doe as grantor and Richard Roe as grantee, and another instrument, dated the same day or soon thereafter, showed Richard Roe as grantor and John Doe as grantee, neither of the transactions was considered.
6. No transaction was considered unless the consideration was specifically stated in the deed and met one of the following requirements:
   a. Entire amount paid in cash by grantee.
   b. Partial cash payment made by grantee and remainder by a third party who in turn received a lien against the grantee for the amount of his payment with a definite schedule of payments stipulated in the deed.
   c. Partial cash payment made by grantee, and the remainder secured by a mortgage with a definite payment schedule signed by the grantee, accepted in only those transactions in which the down payment was equal to, or in excess of, the following schedule:

Total Amount of Sale	Required Down Payment
Less than $500	At least 40 per cent of sale
$ 500	$200
1,000	300
1,500	350
2,000	400
3,000	450
4,000	500
5,000	600
6,000	700
Over 7,000	At least 10 per cent of sale

The only exceptions to this schedule were the installment plan sales made by the Home Owners Loan Corporation and/or the Reconstruction Finance Corporation. The sales made by these agencies were considered by local authorities as being representative of fair market value, regardless of the per cent of down payment.

The transactions in which the grantee assumed an existing mortgage were excluded because of the possibility that the sale was forced. Transactions in which the words "and other considerations" appeared were excluded because the exact consideration could not be determined.

7. No transaction for property located outside the limits of the city of Dallas or dated prior to July 1, 1936, was considered.
8. No transaction was considered, regardless of the apparent bona fide nature of the consideration, unless the total consideration stated in the deed agreed with the amount indicated by the federal revenue stamps attached to the deed.

With the requirements listed above as a criterion, approximately 30,000 recorded deeds were examined, and of this number 4,908 were used in this study. The sales information concerning the property, including the land description, the date of sale, and its terms, was transcribed to an information card. These cards were then checked against the tax records in order to determine the assessed value of the property.

In order that the sales value comparisons be close to the date of assessment, January 1, the sales value of property sold between July 1 and December 31 was compared with the assessed value as of the following January; and that of property sold between January 2 and June 30 was compared with the previous January 1. For example, the sales value of property sold August 15, 1938, was compared with the assessed value as of January 1, 1939. If the property was sold on June 15, 1938, the sales value was compared with the January 1, 1938, assessed value. By this arrangement the date of the sale was usually within six months of the assessment date,

thereby preventing the comparison figures from being greatly affected by economic change.

In a few instances the full description of the property sold did not agree with the type of property taxed. If the owner of a vacant lot built a residence on the lot in February, 1938, and sold the improved property on June 10, 1938, the assessment figure as of January 1, 1938, would cover only the value of the vacant lot. In order that the assessed value compare with the sales value, the assessed value as of January 1, 1939, which included the assessment on the improvement, was used. This procedure was reversed in case the vacant lot was sold in August and the new owner erected improvements on it before the following January 1. In this case the assessed value, as of the following January 1, would include the estimated value of the lot and improvements, while the sales value included only the land. This treatment lengthened the time space between the date of sale and the date of assessment, but there were only a few of these cases.

Geographical districts were set up in order to localize any prevalent characteristics that might exist in one section of the city and not be common to all sections. The sections used in this segregation were the Dallas census tracts. Although these were not set up for real estate tax purposes, it was found that in most instances the real estate within a tract was homogeneous in character and the property values comparable. The boundaries of these census tracts were marked on a property map used by the tax department which indicated the city block numbers. Each sale was located on the map according to its description, and the tract number was added to the information found on the sales card for reference. Finally, the cards were assembled in such a manner that the properties studied were grouped by census tracts and by types of property.

In order to facilitate the comparison analysis, the information found on the sales cards was transcribed to work sheets by sections, years, and types of property. The sales values were used as a basic comparison figure; and the computation of the differences between assessed and sales values resulted in a plus difference if the assessed value was more than the sales value, and a minus difference if the assessed value was less than the sales value.

Each piece of property was analyzed separately, and the results of these individual analyses were combined in such a manner that a collective analysis was shown for each type of property each year according to the various geographical districts. This analysis revealed the sections where the greatest differences occurred, the chronological trend of the differences, and the types of property in which divergences existed. In order to put on the same basis the relationship that existed between the assessed value and the actual sales value in each case, the differences were expressed in terms of per cent.

The per cent difference was computed for each property by dividing the value difference by the sales value, and the percentages were designated as plus or minus percentages. The comparison work sheet then revealed the

actual percentage deviation that would have existed between the assessed value (100 per cent estimated value) and the sales value. In order to present the information collectively, the first operation was to determine the average of the percentage deviations of all properties within each group. The method used to determine this average consisted of adding all of the percentages within the group and dividing the total by the number of properties within the group. The answer will show that the assessment of each property within the group deviated from the sales value by a certain percentage.

The size of the average of the deviations indicates the extent of the differences between the assessed values and the sales values. The average of the deviations for the assessed values within an entire section might be high, and upon examining the average of the deviations by types of property, it may be found that the deviation for vacant lot assessments is responsible, indicating that the high variation is in land values. The final tabulation was made by totaling the percentage deviations for all of the properties in which the assessed values exceed the sales values in each group and dividing by the number of such properties. This same process was repeated for those properties in which the sales values exceeded the assessed values. (See Table VI)

TABLE VI

AVERAGE OF THE DEVIATIONS OF ASSESSED VALUES FROM SALES VALUES OF REAL ESTATE BY SECTIONS AND TYPES OF PROPERTY

City of Dallas 1936–1940

		Overvalued		Undervalued		Totals	
Section	Type	No. Prop.	Av. Dev.	No. Prop.	Av. Dev.	No. Prop.	Av. Dev.
1	Residence	17	25.4	53	18.0	70	19.8
	Business	—	—	—	—	—	—
	Vacant	61	36.1	39	33.7	100	35.2
	Totals	79	32.9	91	25.3	170	28.8
2	Residence	25	13.2	137	20.0	162	18.9
	Business	—	—	2	36.5	2	36.5
	Vacant	59	13.8	48	21.2	107	17.1
	Totals	84	13.6	187	20.5	271	18.4
3	Residence	32	13.9	74	11.4	106	12.1
	Business	2	32.7	—	—	2	32.7
	Vacant	48	34.2	17	26.8	65	32.2
	Totals	82	26.2	91	14.3	173	19.9
4	Residence	36	22.5	155	20.7	191	21.1
	Business	1	11.2	1	19.7	2	15.5
	Vacant	83	23.3	141	32.0	224	29.0
	Totals	120	23.0	297	26.2	417	25.3
5 and 7	Residence	48	25.8	28	18.5	76	23.0
	Business	1	14.0	3	24.5	4	22.9
	Vacant	6	41.0	4	21.6	10	33.2
	Totals	55	27.2	35	19.4	90	24.0
6	Residence	45	26.3	26	12.3	71	21.2
	Business	—	—	2	38.7	2	38.7
	Vacant	39	37.3	26	18.7	65	29.8
	Totals	84	31.4	54	16.3	138	25.5
8	Residence	22	26.6	15	18.3	37	23.2
	Business	1	18.8	—	—	1	18.8
	Vacant	11	31.5	6	19.3	17	27.2
	Totals	34	27.9	21	18.6	55	24.3

TABLE VI (Cont'd)

AVERAGE OF THE DEVIATIONS OF ASSESSED VALUES FROM SALES VALUES OF REAL ESTATE BY SECTIONS AND TYPES OF PROPERTY

City of Dallas 1936–1940

		Overvalued		Undervalued		Totals	
Section	Type	No. Prop.	Av. Dev.	No. Prop.	Av. Dev.	No. Prop.	Av. Dev.
9	Residence	15	25.6	25	15.8	40	19.5
	Business	—	—	1	.6	1	.6
	Vacant	20	21.1	24	17.6	44	19.2
	Totals	35	23.0	50	16.4	85	19.1
10	Residence	50	17.0	44	11.8	94	14.6
	Business	—	—	—	—	—	—
	Vacant	5	17.2	5	30.4	10	23.8
	Totals	55	17.1	49	13.7	104	15.4
11	Residence	59	20.6	58	12.9	117	16.8
	Business	1	31.1	2	22.9	3	25.6
	Vacant	29	29.1	16	16.3	45	24.5
	Totals	89	23.6	76	13.9	165	19.1
12	Residence	39	21.3	76	14.3	115	16.7
	Business	1	28.3	2	9.8	3	15.6
	Vacant	59	30.1	18	19.9	77	27.7
	Totals	99	26.6	96	15.3	195	21.0
13	Residence	52	25.0	13	15.6	65	23.2
	Business	—	—	1	72.9	1	72.9
	Vacant	3	51.6	4	14.1	7	30.2
	Totals	55	26.5	18	18.5	73	24.5
14	Residence	12	35.0	7	12.1	19	26.5
	Business	—	—	—	—	—	—
	Vacant	2	10.4	1	19.5	3	13.4
	Totals	14	31.5	8	13.1	22	24.8
15	Residence	45	41.0	17	17.1	62	34.4
	Business	3	47.3	3	25.2	6	36.2
	Vacant	9	25.6	3	26.1	12	25.6
	Totals	57	38.9	23	19.3	80	33.3
16	Residence	25	40.2	6	23.2	31	36.9
	Business	2	15.1	1	19.9	3	16.7
	Vacant	5	19.3	8	29.6	13	25.6
	Totals	32	35.4	15	25.8	47	32.5
17 18 19	Residence	29	38.1	20	17.3	49	29.4
	Business	5	46.7	3	33.7	8	42.0
	Vacant	9	27.4	7	37.7	16	31.9
	Totals	43	36.9	30	23.7	73	33.2
20	Residence	15	42.6	4	24.5	19	38.8
	Business	1	10.0	2	5.5	3	6.9
	Vacant	3	27.8	9	25.7	12	26.2
	Totals	19	39.6	15	22.7	34	31.5
21 and 22	Residence	13	59.4	5	17.2	18	47.7
	Business	4	66.6	3	17.3	7	45.5
	Vacant	6	37.1	4	20.4	10	30.5
	Totals	23	54.9	12	18.3	35	42.3
23 and 24	Residence	44	28.3	20	16.1	64	24.5
	Business	2	24.7	2	5.1	4	14.4
	Vacant	10	27.1	4	17.8	14	24.4
	Totals	56	27.9	26	15.5	82	24.0
25	Residence	14	29.2	18	26.8	32	27.8
	Business	3	31.1	1	12.3	4	26.4
	Vacant	4	29.7	4	28.9	8	29.3
	Totals	21	29.6	23	26.5	44	27.9

TABLE VI (Cont'd)

AVERAGE OF THE DEVIATIONS OF ASSESSED VALUES FROM SALES VALUES OF REAL ESTATE BY SECTIONS AND TYPES OF PROPERTY

City of Dallas 1936–1940

		Overvalued		Undervalued		Totals	
Section	Type	No. Prop.	Av. Dev.	No. Prop.	Av. Dev.	No. Prop.	Av. Dev.
26	Residence	22	22.2	30	14.5	52	17.8
	Business	—	—	—	—	—	—
	Vacant	27	38.0	41	31.7	68	34.2
	Totals	49	30.9	71	24.4	120	27.1
27	Residence	25	22.9	15	19.9	40	21.8
	Business	—	—	—	—	—	—
	Vacant	8	41.4	11	28.1	19	39.5
	Totals	33	27.4	26	27.6	59	27.5
28	Residence	16	41.3	14	18.7	30	30.8
	Business	—	—	2	39.8	2	39.8
	Vacant	8	31.9	4	11.3	12	25.0
	Totals	24	38.2	20	19.3	44	29.6
29	Residence	10	29.5	7	22.7	17	26.7
	Business	1	32.3	1	21.3	2	26.8
	Vacant	2	29.2	1	28.5	3	29.0
	Totals	13	29.6	9	23.5	22	27.0
30	Residence	20	32.3	4	20.4	24	30.3
	Business	5	20.7	4	32.6	9	26.0
	Vacant	8	47.5	5	9.7	13	33.0
	Totals	33	36.4	13	20.0	46	30.2
31	Residence	2	42.9	1	15.3	3	33.6
	Business	14	52.8	4	26.7	18	46.9
	Vacant	5	43.8	—	—	5	43.8
	Totals	21	49.7	5	24.4	26	44.8
32	Residence	24	42.0	7	17.2	31	36.4
and	Business	7	57.7	4	23.1	11	45.1
33	Vacant	12	38.8	8	18.3	20	30.5
	Totals	43	42.9	19	18.9	62	35.7
34	Residence	21	50.8	3	4.0	24	45.0
	Business	—	—	1	.1	1	.1
	Vacant	2	51.7	3	41.8	5	45.7
	Totals	23	50.9	7	19.7	30	43.6
35	Residence	30	34.2	14	21.9	44	30.9
and	Business	1	14.2	2	13.4	3	13.7
36	Vacant	2	55.2	1	34.0	3	48.1
	Totals	33	34.9	17	21.6	50	30.9
37	Residence	29	36.6	40	26.3	69	30.6
	Business	—	—	—	—	—	—
	Vacant	8	32.0	18	22.5	26	25.4
	Totals	37	35.6	58	25.1	95	29.2
38	Residence	16	19.6	13	13.7	29	16.9
	Business	—	—	1	6.2	1	6.2
	Vacant	17	126.9	5	21.8	22	103.0
	Totals	33	74.9	19	15.4	52	53.1
39	Residence	14	43.7	33	27.5	47	32.3
	Business	—	—	1	10.5	1	10.5
	Vacant	6	21.8	10	27.9	16	25.6
	Totals	20	37.1	44	27.2	64	30.3
40	Residence	16	31.1	22	19.2	38	24.1
	Business	1	32.0	3	23.9	4	25.9
	Vacant	8	43.1	4	23.8	12	36.6
	Totals	25	34.3	29	20.1	54	27.1

TABLE VI (Cont'd)

AVERAGE OF THE DEVIATIONS OF ASSESSED VALUES FROM SALES VALUES OF REAL ESTATE BY SECTIONS AND TYPES OF PROPERTY

City of Dallas 1936–1940

		Overvalued		Undervalued		Totals	
Section	Type	No. Prop.	Av. Dev.	No. Prop.	Av. Dev.	No. Prop.	Av. Dev.
41	Residence	6	27.1	9	24.9	15	25.8
	Business	1	38.3	—	—	1	38.3
	Vacant	8	32.5	8	26.7	16	29.6
	Totals	15	30.7	17	25.7	32	28.1
42	Residence	27	28.9	20	13.6	47	22.4
	Business	1	129.0	—	—	1	129.0
	Vacant	6	33.0	13	32.8	19	32.9
	Totals	34	32.6	33	21.2	67	27.0
43	Residence	2	39.9	5	20.2	7	25.8
	Business	—	—	—	—	—	—
	Vacant	4	22.7	10	43.9	14	37.8
	Totals	6	28.4	15	36.0	21	33.8
44	Residence	32	20.6	56	15.0	88	17.1
	Business	—	—	1	24.6	1	24.6
	Vacant	44	25.5	16	14.3	60	22.5
	Totals	76	23.5	73	15.0	149	19.3
45	Residence	20	15.6	62	15.4	82	15.6
	Business	—	—	—	—	—	—
	Vacant	30	41.1	35	22.5	65	31.1
	Totals	50	30.8	97	17.9	147	22.3
46	Residence	35	29.5	22	15.4	57	24.1
and	Business	3	37.6	5	20.7	8	27.0
47	Vacant	3	23.2	4	13.6	7	17.7
	Totals	41	29.7	31	16.0	72	23.8
48	Residence	18	50.0	9	12.2	27	37.4
	Business	3	40.4	2	10.0	5	28.2
	Vacant	8	37.8	3	23.7	11	33.9
	Totals	29	45.7	14	14.4	43	35.5
49	Residence	27	27.3	75	17.3	102	20.0
	Business	1	35.3	2	15.1	3	21.8
	Vacant	15	23.8	22	28.7	37	26.7
	Totals	43	26.3	99	19.8	142	21.8
50	Residence	25	24.4	38	18.6	63	20.9
	Business	1	111.3	2	35.5	3	60.7
	Vacant	5	19.7	8	20.6	13	20.2
	Totals	31	26.4	48	19.7	79	22.3
51	Residence	45	19.7	70	20.6	115	20.2
	Business	1	40.0	1	31.5	2	35.8
	Vacant	20	34.5	45	46.0	65	42.5
	Totals	66	24.5	116	30.5	182	28.4
52	Residence	21	21.2	21	10.1	42	15.6
	Business	—	—	—	—	—	—
	Vacant	5	25.3	2	34.0	7	27.7
	Totals	26	22.0	23	12.1	49	17.3
53	Residence	48	31.2	62	16.8	110	22.2
	Business	1	47.1	1	6.4	2	26.8
	Vacant	13	37.5	16	23.2	29	29.6
	Totals	62	32.8	79	18.0	141	24.4
54	Residence	31	29.4	55	16.6	86	21.2
	Business	—	—	1	16.9	1	16.9
	Vacant	66	38.4	20	21.6	86	34.5
	Totals	97	35.5	76	18.0	173	27.8

TABLE VI (Cont'd)

AVERAGE OF THE DEVIATIONS OF ASSESSED VALUES FROM SALES VALUES OF REAL ESTATE BY SECTIONS AND TYPES OF PROPERTY

City of Dallas 1936–1940

		Overvalued		Undervalued		Totals	
Section	Type	No. Prop.	Av. Dev.	No. Prop.	Av. Dev.	No. Prop.	Av. Dev.
55	Residence	17	18.7	53	21.4	70	20.7
	Business	1	72.4	2	44.2	3	53.6
	Vacant	31	38.9	39	25.8	70	31.6
	Totals	49	32.6	94	23.7	143	26.7
56	Residence	33	29.7	60	20.8	93	24.0
	Business	—	—	1	34.4	1	34.4
	Vacant	30	39.6	19	19.8	49	31.9
	Totals	63	34.4	80	20.8	143	26.8
57	Residence	22	34.3	58	23.2	80	26.2
	Business	—	—	—	—	—	—
	Vacant	71	38.4	59	24.5	130	32.0
	Totals	93	37.3	117	23.9	210	29.9
58	Residence	3	17.9	3	18.2	6	18.0
	Business	—	—	1	5.7	1	5.7
	Vacant	12	27.1	19	25.0	31	25.8
	Totals	15	25.2	23	23.3	38	24.1
Grand Totals	Residence	1294	28.2	1682	17.9	2976	22.4
	Business	69	43.8	71	23.1	140	33.3
	Vacant	955	33.6	837	27.1	1792	30.5
	Totals	2318	30.9	2590	21.0	4908	25.7

Further analyses of these differences were made by determining the average of the deviations by value groups. This information was computed from separate work sheets, but the same method explained above for computing the average of the deviations in Table VI was used. Since the original table is quite lengthy, only the grand total of these figures is exhibited in the table shown below.

Another important factor to be considered in this type of analysis is the real estate activity within each section. As Table VI readily demonstrates, there are more sales in some sections than in others, but the census tract map also reveals that some tracts cover a greater area than others. In order to give a clear picture of the sales activity within each section, a density of sales map correlates the number of sales studied for each tract with the area of each tract. If the density of sales reveals a normal or above normal activity, the sales value should be reflective of actual market value; whereas a subnormal activity may account for a larger average of the deviation between the assessed values and the actual sales values.

With the "Density of Sales Map" and data as illustrated in Table VI and the original of Table VII, an analysis has been made of each geographical district. The representation of an individual analysis of each section would be of little value to the reader except to illustrate the merits of the analytical methods used in the survey by revealing how the various sections were

TABLE VII

TOTAL AVERAGE OF THE DEVIATIONS OF ASSESSED VALUES FROM SALES VALUES BY VALUE GROUPS

	Residences				Business				Vacant Lots			
	Overvalued		Undervalued		Overvalued		Undervalued		Overvalued		Undervalued	
Value Group	No. Prop.	Av. Dev.	No. Prop.	Av. Dev.	No. Prop.	Av. Dev.	No. Prop.	Av. Dev.	No. Prop.	Av. Dev.	No. Prop.	Av. Dev.
$ 0– 499	24	39.7	5	18.6	3	40.1	1	5.7	332	40.1	244	25.7
500–1,499	248	42.8	89	18.2	3	39.4	2	38.9	501	30.1	392	29.6
1,500–2,999	493	27.4	440	19.1	16	45.2	14	21.3	76	32.2	94	25.6
3,000–4,999	352	21.2	717	17.5	8	36.1	18	20.4	37	27.5	75	23.2
5,000 and over	177	22.4	431	17.3	39	45.5	36	24.8	19	24.9	32	20.2
Totals	1,294	28.2	1,682	17.9	69	43.8	71	23.1	955	33.6	837	27.1

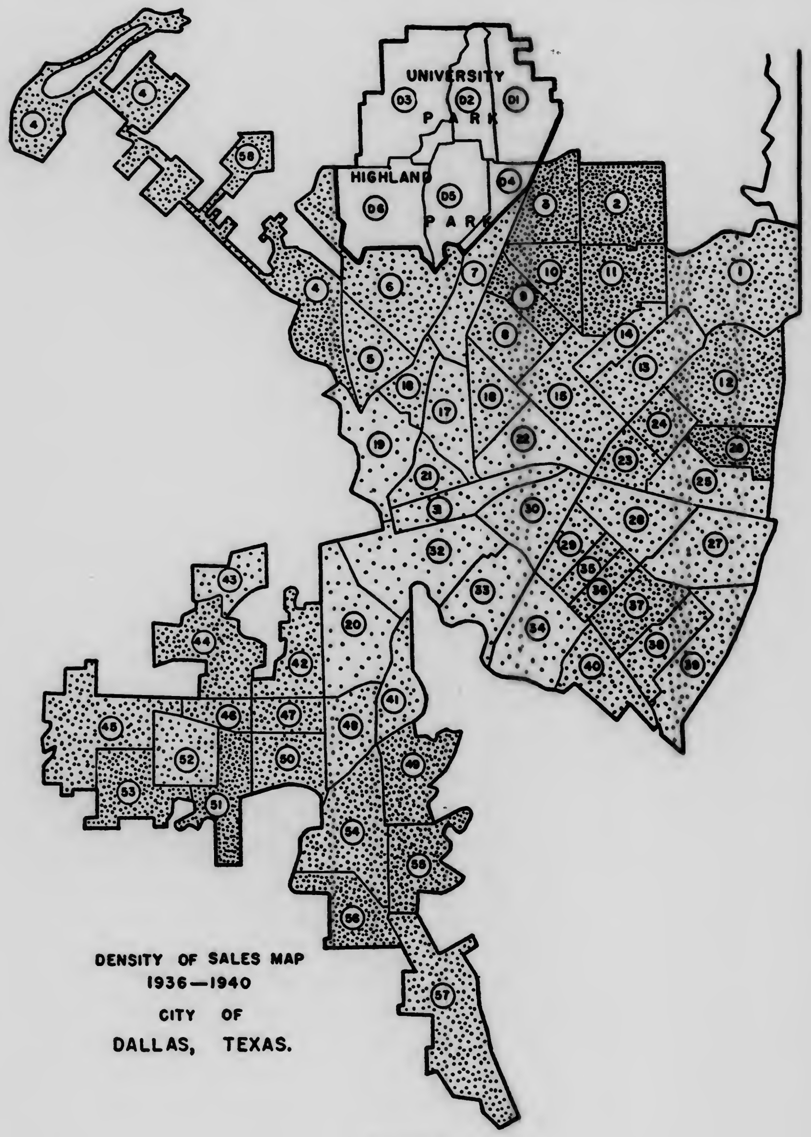

FIGURE 6

determined. However, the analysis of each real estate section presents a critical view of the variations that would have existed if the actual sales value of properties had been used as the assessed value in the periods studied.

These analyses and the description of each of the census tracts brought to light many unusual situations which affected the value of the properties within a particular section.[2] The average differences between the assessed values and sales values is shown by sectional groups classified as to the outstanding characteristics of the property found within each census tract. The classifications used were: superior, good, average, cheap, old, and transitional. The first four classifications refer to the type of houses within a section. The "old" classification refers to those sections in which most of the buildings are antiquated; while the "transitional" classification includes those sections in which the properties are gradually changing from residential to business properties. Table VIII shows the number of properties and the average of the deviations that existed between the assessed values and the sales values of the property.

TABLE VIII

AVERAGE OF THE DEVIATIONS—COMPARISON BY SECTIONAL CLASSIFICATIONS—1936–1940

		Overvalued		Undervalued		Total	
	No. Sec.	No. Prop.	Av. Dev. *Per Cent*	No. Prop.	Av. Dev. *Per Cent*	No. Prop.	Av. Dev. *Per Cent*
Superior	5	336	25.8	414	19.7	750	22.4
Good	9	439	28.1	567	20.5	1,006	23.8
Average	12	636	33.7	704	20.1	1,340	25.1
Cheap	13	306	29.7	348	23.2	654	26.2
Old	10	305	34.2	169	19.1	474	28.8
Transitional	9	296	31.8	388	24.6	684	27.7
Totals	58	2,318	30.9	2,590	21.0	4,908	25.7

Much useful information concerning the taxation of real property in Dallas may be obtained from study of the tables presented above. Assessors could use such a study of the tax rolls and property sales according to geographical divisions as a definite aid in determining the estimated values of property for assessment purposes. Geographical comparisons usually show that the value of surrounding properties in a particular area have a definite influence on the value of all the properties within the section.

In summary, the conclusion may be drawn from the tables presented above that many difficulties are encountered when the sales value is used as a primary basis of assessment. Briefly they are: (1) representative sales can be found on only a small per cent of the properties to be assessed; (2) the source for obtaining sales information cannot always be depended upon as representing the actual conditions under which the sale was executed; (3) real estate activity is usually not sufficient nor stable enough to establish uniform values for all types of properties. The tables presented above indicate that some adjustments in present assessed values are necessary. The assessor has recognized this condition and is making a definite effort to correct the assessments that appear to be out of line. Evidence of this effort is found

[2]A brief description of each of the census tracts is presented in the Appendix.

in the assignment of qualified deputies to study and recommend adjustments in present assessed values of land within the city. On the 1939 tax roll approximately 2,500 pieces of property received flat percentage adjustments as they were considered to be assessed too high in accordance with their market and utility value. The same method of procedure was followed in 1940. Further evidence of the assessor's effort to adjust values is the present attempt to increase the personnel for determining building valuations and to modernize the building information on unit record cards through the medium of a WPA project sponsored for this purpose.

It is well recognized that assessment values should not be determined solely upon the basis of fair cash value. At present the practice in most large Texas cities is to determine assessed values by the use of reproduction cost less depreciation, with allowances in a few cases for obsolescence. The resultant figure is influenced by sales of similar properties. There is little evidence that the present Dallas techniques provide definite methods of allowing deductions for obsolescence or additions for enhancement due to appreciation. These factors, however, are considered by the assessor in so far as experience and personal information permit.

There seems to be very little basis for comparing the assessed value of personal property with its sales value. Automobile assessments were compared with the recognized market values as found in the *Red Book National Used Car Market Report* in order to determine the efficacy of assessments made, and the information obtained was tabulated according to value groups. The total differences between assessed value and the recognized market value were computed. The total comparison figure by groups does not represent the true assessment picture because the underassessed values and the over-assessed values were not segregated. These plus and minus deviations tended to balance each other. For this reason this study only determined the total gain or loss in automobile assessments by value groups.

The tabulation showed that all automobiles listed on the Dallas tax roll for 1938 were consistently assessed above the wholesale prices by an average of 22 per cent. The *National Used Car Market Report* prices motor vehicles on a wholesale basis and recommends that dealers raise the prices approximately 33 per cent for retail values. Apparently, upon this basis, the assessing department has valued cars between wholesale price and retail price. Most of the automobiles were assessed between 18 per cent and 31 per cent above the wholesale price; the balance were assessed between 9 per cent and 18 per cent above the wholesale price.

The other types of personal property are such that the market value cannot be readily obtained. For example there is no standard market price for such items as plant machinery, furniture, or fixtures. Furthermore it is frequently impossible to determine the ownership of taxable securities, money, or accounts receivable. Comparisons where this type of property is concerned are most difficult to make since identity of the property in many instances cannot be determined. The uncertainty of comparing assessed values with

actual values and of determining identity further increase the difficulties which the assessor must overcome in assessing personal property. As a matter of fact, although actual figures are not available to substantiate the contention, it would seem safe to say that only a small portion of personal property is actually assessed.

This condition is illustrated very vividly by money on deposit compared with the amount of cash assessed for taxation. National banks are required by the Comptroller of Currency to prepare and publish periodically a bank statement following a prescribed form. These statements show the amount of various types of deposits as well as other asset and liability information. A consolidated tabulation of the types of bank deposits held by the five national banks in Dallas and one state bank has been prepared and is presented in Table IX.

TABLE IX

BANK DEPOSITS OF THE SIX BANKS IN DALLAS ACCORDING TO VARIOUS QUARTERLY STATEMENTS

(In Thousands of Dollars)

	12-31-38	3-29-39	12-30-39	6-29-40	12-31-40
Demand Deposits	$ 95,631	$114,073	$108,930	$135,193	$124,482
Certified and Cashier's Checks	7,435	2,418	9,125	2,514	10,135
Time Deposits of Individuals and Corporations	26,502	27,783	27,495	27,755	28,018
Total Taxable Deposits	$129,568	$144,274	$145,550	$165,462	$162,635
Non-Taxable Deposits of Governments and Banks	117,254	111,941	151,080	135,259	155,732
Total Deposits	$246,822	$256,215	$296,630	$300,721	$318,367

The three deposit classifications that are subject to ad valorem taxation are: demand deposits, time deposits, and certified and cashier's checks. The total of these three types of deposits indicates that on January 1, 1939, $129,568,000 were taxable whereas only $7,051,000 of all money on deposit was actually assessed. The amount taxed represents approximately 5 per cent of all the cash in these six Dallas banks and does not consider the deposits in other banks or the money not on deposit. The small percentage of money assessed is the result of inadequate tax laws. The present law does not provide the assessor with sufficient authority to inspect personal bank accounts or other depositories in order to determine the amount of taxable cash in an individual's possession; for this reason the assessor has to depend entirely upon the honesty of the individual in making his rendition. As the figures in Table IX indicate, the individual with cash, as a rule, does not render this asset for taxation. An examination of Table IX will reveal that many people attempt to conceal their ownership of money by means of cashier's checks. The demand deposits in the end-of-the-year statements show six to nine million dollars less than they do during the other quarterly

periods, and the certified and cashier's checks show an increase in the end-of-the-year statements over the other quarterly statements by approximately the same amount. It is quite apparent therefore that an attempt is made to conceal several million dollars of cash deposits each year by the use of cashier's checks. All that is necessary to effect this concealment is to convert the demand deposits on or just before the last day of the year into cashier's checks in order that the depositor's bank statement will show only a small amount on deposit the first day of January. Only the bank's records will disclose the actual ownership of these concealed funds. If all wealth is to be taxed, money should bear its share of the burden. However, the assessor can hope to place only a small proportion of these assets on the tax rolls until the laws permit the discovery of ownership and prevent the conversion of cash into concealed assets.

CHAPTER IV

THE DISTRIBUTION OF THE AD VALOREM TAX BURDEN

The assessment techniques as employed by the tax department of the city of Dallas have been described and their effectiveness measured at least in part. The statutes, as previously pointed out, stipulate that all property shall be assessed for ad valorem taxation, but it is recognized that while some escapes, that which remains bears the brunt of the tax burden. In order to describe this situation more completely, a detailed analysis of the distribution of taxes according to types of property will follow.

Property is divided into two categories for taxation purposes: real and personal. The meaning of the term "real property" is here construed to mean land, buildings, and fixtures attached to the land. Personal property includes those items which are of a movable nature, such as household furniture, money, inventories, chattels, capital, stocks and bonds, jewelry, mortgages, accounts receivable, and all other taxable property that is not real property. The assessor divides the tax roll in two parts covering real and personal property. The tax rolls for the year 1938 showed real property valued at $202,801,630 as compared with personal property amounting to $81,001,730. The detailed tabulation appearing below in Table X is significant.

TABLE X

TOTAL ASSESSED VALUES BY TYPES OF PROPERTY

Type of Property	Total Assessed Property	Per Cent Total
Land	$ 87,473,290	30.82
Improvements	115,328,340	40.64
Total Realty	$202,801,630	71.46
Automobiles	$ 7,645,880	2.69
Household Furniture	970,300	.34
Office Furniture and Fixtures	4,324,985	1.52
Merchants' Stock	17,678,890	6.23
Equipment, Plant	30,111,310	10.61
Intangibles	7,489,690	2.64
Personal Property not Specified	4,483,315	1.59
Other Personal Property	8,297,360	2.92
Total Personalty	$ 81,001,730	28.54
Grand Total all Property	$283,803,360	100.00

Because of the permanency and immovability of land, the assessor, through the use of a comprehensive system of records, has been able to locate and assess all taxable realty within the city. As a result real property carries the major portion of the ad valorem tax load.

Dallas, with a population of 294,734, covers an area of 46.059 square miles. The estimated value of all land in this area, based on a 100 per cent ratio, amounts to $165,043,943. If the estimated value of exempt

property were added to this sum, the value would be $173,373,856. These data provide an excellent example of how demand, created by large population groups in restricted areas, increases the value of property. The area of 46.059 square miles contains 29,447 acres, which includes all streets, two lakes, creeks, river beds, and a small amount of property which cannot be used because of contour. Including all property within the city limits, the estimated value is $5,888 per acre. The average per capita allotment of area would amount to approximately one-tenth of an acre for each person. If this land were all farm land rather than a metropolitan area, it would, from an economic standpoint, be worth no more than $100 per acre. The tax roll shows 72,200 parcels of land assessed at an average value of approximately $1,200 per parcel. The highest assessed value of land is $8,694 per unit foot, which would, if applied to a standard 50 by 100 foot business lot, carry a 100 per cent value of $434,700, or a tax value of $230,400. The lowest value placed on land in the city is $1 per front foot on developed property and considerably less on undesirable acreage.

It was found that 44,047 of the 72,200 descriptions of land were improved or built upon. The assessed value of all improvements was $115,328,340, which represents 56.87 per cent of the total real property assessments (see Figure 7).

The personal property assessments amounted to $81,100,730, which represents 28.54 per cent of the total tax roll. Personal property assessments have been placed on various types of personalty which are owned by individuals and business establishments. The largest personal property assessments are placed on plant equipment as indicated in Chart "C" in Figure 7. The assessment of plant equipment accounts for 37.17 per cent of the personal property values since it includes motors, machinery, tools, mechanical instruments, and all other machinery with the exception of automobile equipment which is assessed separately. The greatest proportion of plant equipment is assessed against utility companies and amounts to $22,951,900. Railroad properties carried an assessment of $3,316,820 on plant equipment while fourteen other large corporations bore an assessment of $1,411,630 for similar property. This represents 90 per cent of all plant equipment assessed by the city.

Merchants' stocks bore the next heaviest load, comprising 21.82 per cent of the personal property value. Of the $17,678,890 assessed against this class, a value of $3,428,160 was placed on the stock of twenty-nine large wholesalers, $2,604,740 on the stock of fourteen large manufacturing concerns, and $1,512,950 on the stock of thirteen large retailers. These fifty-six establishments were assessed with 42 per cent of the value of all stocks of goods, while the remaining 58 per cent was assessed against several thousand smaller establishments located within the city.

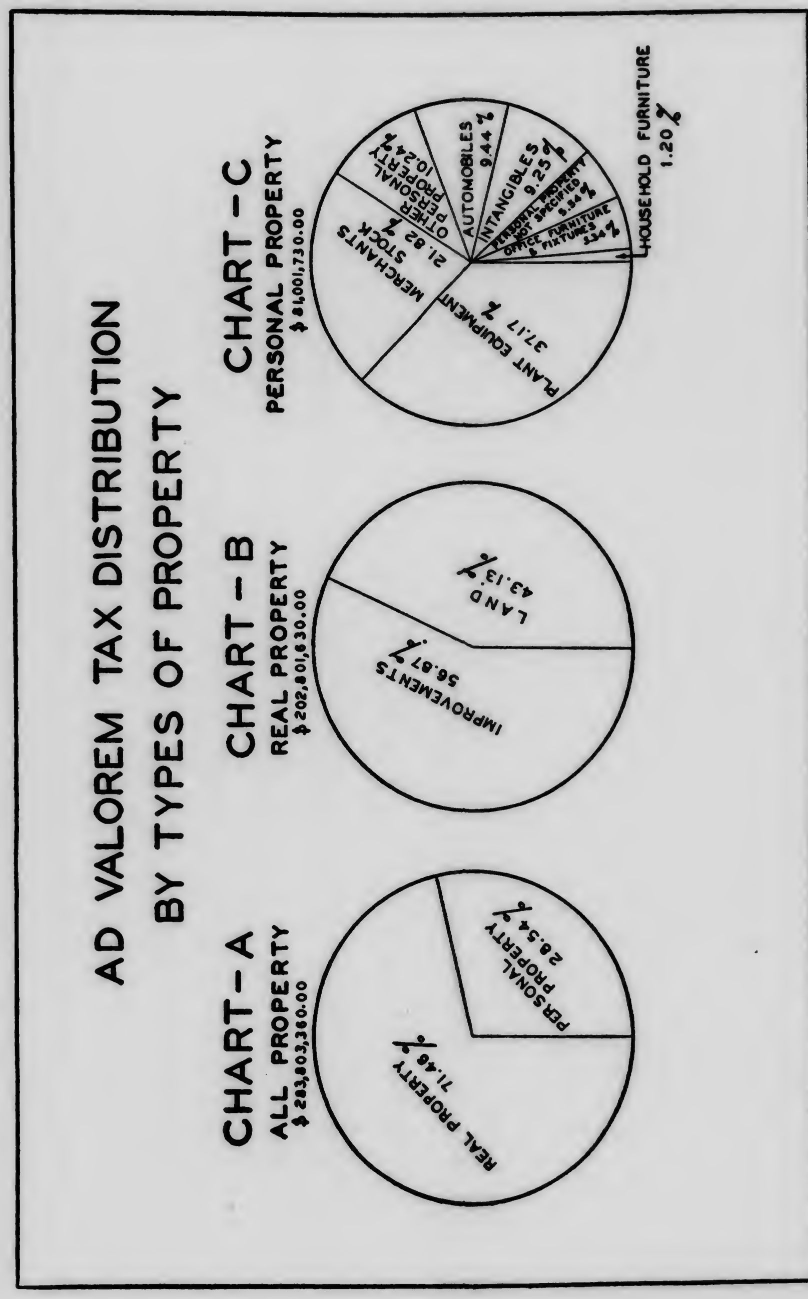

FIGURE 7

The type of personal property that carried the third largest assessment consisted of items classified as "other personal property." These items carried an assessed value of $8,297,360 and represented 10.24 per cent of the total personal property value. The property included in this class was the personalty of banks, life insurance companies, and title companies, musical instruments, jewelry, luggage, livestock, farm tools, and the like. The assessments on bank personalty amounted to $7,522,780. The assets of insurance and title companies were valued at $461,350, whereas all other items mentioned above were assessed for $313,250. Included in this figure was $10,670 on jewelry, $12,840 on musical instruments, and $310 on luggage.

The assessment of motor vehicles amounted to $7,645,880 and represents 9.44 per cent of the total of personal property values. The property which is included in this classification is automobiles, trucks, and other motor vehicles, with the exception of large passenger buses. Table XI gives an interesting analysis of the assessments on 37,743 automobiles for 1938.

The distribution of automobile assessments according to ownership classifications as reflected in the table below will be discussed later.

Personal property classified as intangibles includes corporation stocks and bonds, notes and accounts receivable, and money. These holdings are usually called paper assets, because their values are signified by the written inscriptions appearing in the instruments. The total assessed value of intangible personal property in the city of Dallas for 1938 was $7,489,690, which represents 9.25 per cent of the total personal property assessments. This figure was made up of $3,730,370 cash, $3,451,780 accounts receivable, and $307,540 stocks and bonds. Cash is a definite measure of wealth and should be rendered by the owner; however, it is seldom done.

The total assessments of accounts receivable amounted to $3,451,780. It is interesting to note that only ten business firms were assessed with more than $50,000 of accounts and notes receivable. One of these was an automobile financing company which apparently included in its rendition all the outstanding paper it had on automobiles. Mortgages on real property, automobiles, furniture, and other types of receivables are assets which provide a definite rate of return, but a very small part of them is included in the assessment of intangibles.

The assessment of $307,540 against stocks and bonds includes only the holdings of business firms and private individuals and excludes assessments upon bank stocks. Bank stock is classified as "other personal property" because of the unique method used in assessment. The small value of $307,540 assessed against stocks and bonds does not begin to represent the net taxable worth of these assets, which are owned by investors living in the city of Dallas. The assessor's hands are tied. He must accept the value as rendered by the taxpayer on this type of property.

TABLE XI

CLASSIFICATION OF AUTOMOBILE ASSESSMENTS BY VALUE GROUPS AND OWNERSHIP

	Automobile Owners Assessed With Real Prop.		Automobile Owners Assessed with or Without Other Personal Property		Total of All Automobile Assessments			
Value Group	No.	Assessed Value	No.	Assessed Value	No.	Per Cent Total	Assessed Value	Per Cent Total
$ 0–$ 99	589	$ 14,685	269	$ 15,630	858	2.27	$ 30,315	.40
100– 199	1,144	68,400	1,706	214,100	2,850	7.55	282,500	3.69
200– 299	3,172	448,320	8,628	1,372,565	11,800	31.26	1,820,885	23.82
300– 399	2,374	509,935	6,785	1,680,570	9,159	24.27	2,190,505	28.65
400– 499	1,432	397,830	3,079	906,290	4,511	11.95	1,304,120	17.06
500– 599	347	119,485	1,023	339,855	1,370	3.63	459,340	6.01
600 and Over	352	156,520	1,247	619,860	1,599	4.24	776,380	10.15
Miscellaneous	1,933	232,315	3,663	549,520	5,596	14.83	781,835	10.22
Grand Totals	11,343	$1,947,490	26,400	$5,698,390	37,743	100.00	$7,645,880	100.00

An examination of Table X will show that there are several other types of personal property taxes. That class designated as "not specified" carries $4,483,315 in assessed values, which represents 5.4 per cent of the total personal property assessments. This class embraces those in which no attempt has been made by the assessor or the owner to value the items separately. The personal property designated as office furniture includes all office furniture and equipment, law libraries, store fixtures, medical equipment, restaurant and boarding house equipment, hotel and rooming house furnishings, and other types of equipment used in connection with business. The assessed value of this class was $4,324,985, which was 5.34 per cent of the total. The assessed value of household furniture amounted to $970,300, which was 1.2 per cent of the total. The circumstances under which household furniture is assessed accounts for the fact that it bears such a small part of the tax load.[1]

Regardless of the fact that only a small part of personal property owners possess real property, this does not mean that they should be relieved of their just share of the ad valorem tax burden. Those who rent houses or live in furnished rooms usually possess some personal property. At present only a few individuals, unless they possess some form of business asset, are assessed for personal property. Table XII segregates the personal property assessments by types of business and shows the amount assessed against individual personalty and automobiles. Excluding automobiles owned by business establishments, out of a total assessment of $81,001,730, business assets are assessed at a value of $70,688,895. These figures show that the personal property tax as it is now administered is primarily a tax on business assets since 87.27 per cent of this tax is levied upon business establishments as compared with 3.29 per cent levied on personal property owned by individuals and 9.44 per cent on automobiles.

In analyzing the tax distribution among different types of business, it is found that utility and other service firms have been assessed 33.28 per cent of the total; wholesalers and manufacturers, 15.63 per cent; financial firms and institutions, 15.09 per cent; general retail, transportation and related industries, 7.74 per cent and 7.40 per cent respectively; while the remaining types were assessed 8.13 per cent of the total. Considered as a whole, the relative distribution of these taxes appears to be proportionately represented by all business, with the exception of perhaps a few individual classifications. On the other hand, compare the relative value of business personalty with that of the individual. It is readily seen that the individual is taking advantage of present legislative and administrative inadequacies to evade his responsibilities.

[1]The exemption of $250 worth of household goods was discussed more fully in Chapter II.

TABLE XII

SHOWING PERSONAL PROPERTY ASSESSMENTS OF BUSINESS ASSETS AND OTHERS

TYPE OF BUSINESS	ASSESSMENTS		
I. Personal Service			
Accountants	$ 22,200		
Advertising and Sign Boards	131,880		
Barber—Beauty Shops	187,750		
Cleaners—Laundries	552,725		
Doctors—Dentists—Clinic	321,895		
Fuel—Wood—Coal	30,405		
Funeral Homes	119,310		
Laboratories	32,170		
Lawyers	198,470		
Print—Newspapers—Magazines—Books	1,608,310		
Shoe Repair and Leather Goods	387,220		
Utilities	23,361,750		
TOTAL PERSONAL SERVICE		(33.28%)	$26,954,085
II. Wholesale and Manufacture			
Grain Elevators	$ 755,590		
Manufacturers	8,033,875		
Warehouse	449,100		
Wholesale Distributors	3,423,445		
TOTAL WHOLESALE AND MANUFACTURE		(15.13%)	$12,662,010
III. Finance			
Bank	$ 8,230,820		
Brokerage House—Investment Loans	1,416,615		
Commission House—Live Stock	33,640		
Estate Trust Dept. of Banks	1,584,510		
Insurance Companies and Agencies	852,950		
Pawn Shops	102,130		
TOTAL FINANCE		(15.09%)	$12,220,665
IV. General Retail			
Bakeries	$ 186,525		
Clothing	1,082,790		
Department Stores	1,462,200		
Drug Stores	562,010		
Feed Stores	30,050		
Grocery Stores	1,390,955		
Hardware—Sporting	283,620		
Junk and Wrecking Yards	64,460		
Mail Order House	314,030		
Milk—Ice Cream—Ice—Candy	390,160		
Nurseries—Florals	186,810		
Produce—Fruit—Poultry	97,135		
Variety Stores	218,670		
TOTAL GENERAL RETAIL		(7.74%)	$ 6,269,415
V. Transportation and Related Industries			
Auto Accs.—Motor Parts Inventory	$ 642,375		
Automobile Garage—Used Cars	708,852		
Filling Station	73,310		
Oil Company	474,790		
Oil Well Supply Drillers	439,480		
Railroad Terminal	705,880		
Transportation—Taxis—Motor Freight and Bus Lines	2,954,240		
TOTAL TRANS. AND RELATED INDUSTRIES		(7.40%)	$ 5,998,900

TABLE XII (Cont'd)

SHOWING PERSONAL PROPERTY ASSESSMENTS OF BUSINESS ASSETS AND OTHERS

	TYPE OF BUSINESS	ASSESSMENTS			
VI.	Building and Building Maintenance				
	Architects—Contractors—Geol.—Surveyors	$ 436,390			
	Building Supplies	1,668,265			
	Electric Supplies	882,310			
	Real Estate	206,625			
	TOTAL BUILDING AND MAINTENANCE		(3.94%)	$ 3,193,590	
VII.	Furnishings				
	Fixture Stores	$ 52,000			
	Furniture Stores	723,670			
	Household Appliance	108,240			
	Office Supplies	357,350			
	TOTAL FURNISHINGS		(1.53%)	$ 1,241,260	
VIII.	Luxury and Recreation				
	Jewelry—Watch Repair	$ 417,600			
	Music Stores—All Types	55,270			
	Package Stores—Liquor	91,590			
	Recreation Clubs	47,880			
	Studio—Dance—Music—Photo	105,030			
	Theatre—Radio Stations	395,320			
	Vending Machines	34,640			
	TOTAL LUXURY AND RECREATION		(1.42%)	$ 1,147,330	
IX.	Eating and Lodging				
	Cafe—Rest.—Confect.—Taverns	$ 324,520			
	Hotels	384,440			
	Rooms—House Apts.	271,600			
	Tourist Camps	21,080			
	TOTAL EATING AND LODGING		(1.24%)	$ 1,001,640	
	TOTAL ALL BUSINESS		(87.27%)		$70,688,895
X.	Personalties and Miscellaneous		(3.29) %		2,666,955
XI.	Automobiles		(9.44%)		7,645,880
	GRAND TOTAL		(100.00%)		$81,001,730

A further study in the distribution of taxes reveals that there is little relationship between the ownership of real and personal property. In order to better understand this relationship, property owners have been classified as: (1) those owning both real property and personal property, (2) those owning personal property only, and (3) those owning real estate only.

The first classification of ownership is based on those taxpayers who possess both real and personal property. Generally, it would appear that a person having sufficient wealth to possess real estate would also own some form of personalty which is taxable, but Table XIII reveals that only 10,731 of the 39,478 owners of real estate are assessed with any personal property, including automobiles.

TABLE XIII

TAX DISTRIBUTION ACCORDING TO OWNERSHIP CLASSIFICATION

Ownership Status	No. of Owners	Value of Real Prop.	Value of Personal Prop.	Total Value
1. Owners of Real and Personal Property	10,731*	$ 98,752,165	$51,713,250	$150,465,415
2. Owners of Personal Property Only	8,060†		29,288,480	29,288,480
3. Owners of Real Property Only	28,731	104,049,465		104,049,465
Total		$202,801,630	$81,001,730	$283,803,360

*This number included 6,671 owners of real property whose personal property assessment covered automobiles only.

†The owners of automobiles only are not included in this number although the assessed values of the automobiles have been included.

These 10,731 owners represent approximately 37 per cent of the owners of real estate and are assessed with 49 per cent of the total real property and 64 per cent of the total personal property, or 53 per cent of the total of both real and personal property. Of the 10,731 owners, 6,671 were assessed with automobiles only and the remaining 4,060 were assessed with other types of personal property as well as automobiles. These figures show that only a small portion of real property owners have been assessed with personal property and that 62 per cent of these were assessed for only automobiles. The figures do not indicate that the owners of real and personal property are assessed in proportion to their holdings. In many cases owners of large real estate holdings have very little personal property assessed. This fact is partially proven in that part of the survey which examined the assessments of all personal and real property owners who were assessed more than $40,000. Here it was found that 76 of those possessing real estate assessed for over $40,000 were assessed with less than $1,000 each in personal property. Their total assessment was $9,581,930 on real property and $33,065 on personal. These figures demonstrate that the 76 were assessed an average of $126,080 on real property; yet their personal property assessments average only $435. These cases appear ridiculous, but the figures speak for themselves.

The second classification of ownership is for those assessed with personal property only. There were 8,060 property owners in this group, consisting largely of those business firms not possessing real property. They were assessed with 36 per cent of the total personal property and only 10 per cent of the assessed value of all property. The number of owners listed here does not include a large number of persons who were assessed with automobiles only, since this number was not determined. The $29,288,480 of personal property values assessed for this group consists of $5,698,390 for automobiles and $23,590,090 in business assets. A few individual personalties were included in the latter item.

The third classification of ownership was assessed with real property only. On the 1938 tax roll 72,200 separate parcels of real property were assessed to 39,478 owners. Of this number 28,731 were not assessed with any personal

property whatsoever; yet the group was assessed 37 per cent of the total assessed values. This condition may be justified in a majority of the cases since the average assessed value for the group was $3,670, but there were owners of large real estate holdings with no personal property assessed. Furthermore, it was found that 254 real property owners who were assessed with more than $40,000 in real estate values, totaling $31,244,655 (an average of $123,168 per owner), had no personal property assessed against them. It is possible that many of these assessments were against owners or corporations who deal primarily in real estate, but it would appear that they might possess office equipment, cash, or possibly negotiable paper.

From the study of tax distribution by ownership status, it can be concluded that those who do not possess real property carry only a small portion of the ad valorem tax load. As a matter of fact, their assessment amounts to only 10.3 per cent of the total tax roll. In other words, if assessments are to be used as a criterion, 89.7 per cent of all the wealth in Dallas is possessed by real estate owners. Before leaving this distribution study, an examination of tax distribution according to the degree of wealth as revealed from the assessments should be of interest.

It is generally assumed that the incidence of taxation is being shifted from the rich to the poor. Perhaps this opinion is correct in the case of real estate because many people have taken advantage of the present home-building opportunities and are becoming home owners. This has increased the ratio of home building and lowered to some extent the number of apartment buildings and rent houses. If the burden of ad valorem taxes is shifting to the small real estate owner, it is because more people are becoming home owners, while the large real estate operators are not only decreasing their holdings but are diminishing in number. It was not possible in this undertaking to make a comparative study of this situation, but enough information was collected to analyze the distribution of the tax burden in the upper brackets of value as shown on the 1938 tax roll. Table XIV, below, shows in statistical form the assessments by value groups of all properties in excess of $40,000.

TABLE XIV

ASSESSMENTS AGAINST PROPERTIES VALUED IN EXCESS OF $40,000

Owners Highest Group Ranks	Range of Values	Real Property	Personal Property	Total Assessments
1st 100	$12,205,570–273,180	$51,455,390	$42,112,295	$ 93,567,685
2nd 100	262,330–137,600	13,535,520	4,725,380	18,260,900
3rd 100	136,980– 93,220	8,674,395	2,529,870	11,204,265
4th 100	93,090– 71,040	6,500,110	1,662,370	8,162,480
5th 100	70,970– 57,140	4,798,770	1,497,760	6,296,530
6th 100	57,070– 47,730	3,895,400	1,431,635	5,327,035
Last 115	47,500– 40,190	4,050,665	949,390	5,000,055
Total 715		$92,910,250	$54,908,700	$147,818,950
1.50%		45.81%	67.79%	52.08%

The above table indicates that the total number of property owners coming within this value group was 715, which is only 1.5 per cent of all property owners.[2] The total assessed value for this group was $147,818,950, or 52.08 per cent of the total tax roll. In other words, 1.5 per cent of all property owners were assessed with 52.08 per cent of the total property tax values for 1938. The personal property assessment against this group was $54,908,700, which represents 67.79 per cent of the total personal property assessed, and the assessment of $92,910,250 on real property represents 45.81 per cent of real property assessed. The 100 highest assessments were against property owners who possessed property valued at $93,567,685, or 32.96 per cent of the total assessed values. Breaking these figures down, it was found that this group possessed property against which 25.37 per cent of the total value of real property and 51.99 per cent of the total value of personal property were assessed. One hundred and eighty-two property owners were assessed with more than $40,000 of personal property. One hundred and twenty-one owners of personal property were assessed for $49,937,890, which equals 61.65 per cent of the total personal property assessments. Three hundred and ninety-five owners of real property were assessed with $82,207,515, which is 41.03 per cent of the value of all real property.

Table XI, shown above, reveals that automobile owners assessed for real property were assessed for 11,343 automobiles; in other words, 30.1 per cent of all automobile owners possessed real estate also. The second class of automobile owners included those owning an automobile in addition to other personal property or an automobile only. In this group it was found that 19,766 (52.37 per cent) automobiles valued at $4,537,155 were assessed to persons who had no other property on the tax rolls. The remaining 6,634 automobiles, valued at $1,161,235, were assessed to owners who were also assessed for other types of personal property. Of the total number of automobiles assessed, 25.5 per cent were listed as belonging to real property owners.

Before leaving the study of the distribution of the tax burden, a partial examination of the effectiveness of tax collections should be of interest. The collections of personal property taxes have been tabulated in terms of assessed values and classified according to the ownership on the tax roll. Dallas collected currently 91.82 per cent of the original tax levy of the 1938 tax roll during the fiscal year beginning October 1, 1938, and ending September 30, 1939. Collection information was tabulated on automobile assessments in one group, and on all other personal property in another group, thereby showing the per cent of collections for each type of property. The total of these two tabulations represents the total amount of personal property assessments collected. The summary is shown in Table XV.

[2]Exclusive of automobile owners.

TABLE XV

COMPARISON OF CURRENT TAX COLLECTIONS BY TYPES OF PROPERTY ASSESSED ON 1938 TAX ROLL

Type of Property	Original Assessed Value	Amount of Assessed Values Collected	Per Cent Collected
Personal Property (Not Including Automobiles)	$ 73,355,850	$ 66,328,900	90.37
Automobiles	7,645,880	2,790,540	36.49
Total Personal Property	$ 81,001,730	$ 69,119,440	85.33
Real Property	202,801,630	191,438,804	94.40
Grand Total All Property	$283,803,360	$260,558,245	91.82

The above table demonstrates that the total current tax collections were 91.82 per cent of the original levy. This ratio was composed of 90.37 per cent personal property (excluding automobiles), 36.49 per cent automobiles, and 94.40 per cent real property. The per cent of personal property taxes collected was 85.33 per cent as compared with 94.40 per cent for real property. The small amount collected from automobile assessments seriously affected the total ratio on personal property. As a matter of fact, while automobile assessments composed only 2.69 per cent of the total tax assessments, they contributed 20.91 per cent to the total delinquency on the 1938 tax roll. If automobile assessments had been eliminated from the tax roll, the collection ratio on the original levy would have been 93.4 per cent instead of 91.8 per cent.

A further study of personal property tax collections included a distribution of tax payments according to ownership status. This distribution divides personal property into three classifications: (1) owners of both real property and personal property, (2) owners of personal property only, (3) owners of automobiles only. This distribution is summarized in the table given below.

The analysis of personal property tax collections by ownership and types of property reveals where the personal property taxes are most difficult to collect. The table below supports Table XV by showing that the real property owner is the best taxpayer since 91.42 per cent was the collection ratio for real property owners as against a ratio of 86.47 per cent for personal property owners. The owners of real and personal property paid 92.13 per cent of the taxes assessed against them on all personal property other than automobiles. The collection ratio on their automobiles was 72.3 per cent. The collection ratio for owners of personal property showed 86.73 per cent on personal property against a collection ratio of 81.2 per cent for their automobiles. Those who owned only automobiles made the poorest showing on personal property collections with a collection ratio of 9.6 per cent.

Analysis of the number of assessments collected reveals that 83.15 per cent of personal and real property owners paid their taxes, while only 58.65 per cent of those who owned personal property paid their assessments.

TABLE XVI

DISTRIBUTION OF PERSONAL PROPERTY TAX COLLECTIONS BY OWNERSHIP STATUS

Owner Status	Personal Property (Excluding Automobiles) Original Levy	Collection	Coll. %	Automobiles Original Levy	Collection	Coll. %	Total Personal Property Original Levy	Collection	Coll. %
Owners of Pers. and Real Prop.	$49,765,760	$45,870,280	92.13	$1,947,490	$1,407,870	72.3	$51,713,250	$47,278,150	91.42
Owners of Personal Prop. Only	23,590,090	20,458,620	86.73	1,161,235	945,340	81.2	24,751,325	21,403,960	86.47
Owners of Autos Only	—	—	—	4,537,155	437,330	9.6	4,537,155	437,330	9.64
Total All Pers. Prop. Owners	$73,355,850	$66,328,900	90.37	$7,645,880	$2,790,540	36.5	$81,001,730	$69,119,440	85.33
No. of Owners of Pers. and Real Prop.	4,060	3,376	83.15	11,343	7,536	66.4			
No. of Owners of Personal Prop. Only	8,060	4,727	58.65	6,634	4,837	72.9			
No. of Automobiles Only*	—	—	—	19,766	1,878	9.5			
Total No. All Pers. Prop. Owners				37,743	14,251	37.7			

*The number of ownerships of automobiles was not determined.

The same comparison, according to the number of automobiles assessed, discloses that 66.4 per cent of the real property owners paid their automobile taxes as compared with 72.9 per cent of those who were assessed with other personal property, and only 9.5 per cent paid on automobiles that were assessed separately.

The study of the collection of personal property taxes discloses the ineffectiveness of automobile tax collection. There were 37,743 automobiles assessed; whereas taxes were collected on 14,251 (37.7 per cent). Only 25 per cent of the automobile values were assessed against the owners of real property; yet they paid 50 per cent of the total taxes collected on this item. Owners of real property assessed with 15 per cent of the automobiles paid 34 per cent of the collections. The remaining 60 per cent of the automobile assessments were levied against car owners only; yet they paid but 16 per cent of the total collections. The accepted explanation of the higher payment ratio (50 per cent) of the automobiles assessed against owners of personal and real property, is that this group usually pays its personal property tax at the same time it pays taxes on real estate. This same situation is true, in a somewhat lesser degree, with the owners of personal property only. Regardless of ownership, the figures reveal that the automobile tax delinquency is far too great.

This large proportion of automobile tax delinquency discloses the impracticability of enforcing collections under existing laws. The laws provide for the seizure of personal property when taxes have become delinquent, but because of the uncertainty of positive assessment information and the difficulty of locating the automobiles and their owners, the cost of dispossession in most cases equals or exceeds the amount of collectible delinquent taxes. If Dallas should attempt to enforce 100 per cent collection on the 23,492 automobiles that were delinquent on the 1938 tax roll, it would require a large force of trained personnel. The city, however, has attempted a collection drive on automobile delinquent taxes, but its lack of success is revealed in the fact that only 5 per cent of the $4,855,340 delinquent automobile assessments were paid as of March 1, 1940.

The above information simply reveals that those automobile owners who pay taxes on other types of property are paying several times more than their share of the automobile tax. Car owners often have the attitude that they should not pay automobile taxes when their neighbors do not. If automobiles are to be assessed, each owner should carry his proportionate share of the tax burden. It has been suggested by many that the most effective way to collect the ad valorem tax from the car owner is to require that the tax on the automobile be paid before a state license is issued. If the ad valorem tax on automobiles is to be made an equitable tax instead of a joke, both the lawmakers and the tax administrators must work with this end in view.

This study of the distribution of the 1938 tax roll in Dallas discloses that the ad valorem tax was primarily a tax on real property, that many of the

owners assessed with personal property were also assessed with real property, but that only a small portion of the owners of real property was assessed with personal property. The greatest deficiency in the assessing process exists in the assessment of personal property with special emphasis placed on individual personalty and certain types of intangible assets. The wealthy and moderately wealthy, who represent only a minor part of the property owners, are assessed with the majority of the taxes, and the study of personal property tax collections discloses that they pay the majority of those taxes collected. The real property owner proved to be the best taxpayer. No measurement of the shifting of the burden of taxation has been made, but there are some indications that the real property assessments are being less concentrated and are becoming more greatly distributed. If the personal property tax could be as effective in the assessment and collection process as that on real property, then the tax burden would be more equitably distributed in accordance with the degree of wealth among the various types of property owners, and the burden upon each dollar of taxable wealth would be reduced.

CHAPTER V

REAL PROPERTY EXEMPTIONS

The problem of ad valorem taxation concerns all property holders whether their holdings are taxable or exempt. The city charter does not specifically designate the types of property to be exempt, but it does state that "The governing body shall have power to levy . . . an annual ad valorem tax on all real, personal and mixed property within the territorial limits of the City of Dallas, not exempt from taxation by the Constitution and laws of the State of Texas . . . ."[1] In order to determine the exemptible property, the assessor must be familiar with the provisions of the Constitution and general laws regarding exemptions. The State Constitution provides that:

> All occupation taxes shall be equal and uniform upon the same class of subjects within the limits of the authority levying the tax; but the Legislature may, by general laws, exempt from taxation public property used for public purposes; actual places or (of) religious worship, also any property owned by a church or by a strictly religious society for the exclusive use as a dwelling place for the ministry of such church or religious society, and which yields no revenue whatever to such church or religious society; provided that such exemption shall not extend to more property than is reasonably necessary for a dwelling place and in no event more than one acre of land: places of burial not held for private or corporate profit; all buildings used exclusively and owned by persons or associations of persons for school purposes and the necessary furniture of all schools and property used exclusively and reasonably necessary in conducting any association engaged in promoting the religious, educational and physical development of boys, girls, young men or young women operating under a State or National organization of like character; also the endowment funds of such institutions of learning and religion not used with a view to profit; and when the same are invested in bonds or mortgages, or in land or other property which has been and shall hereafter be bought in by such institutions under foreclosure sales made to satisfy or protect such bonds or mortgages, that such exemption of such land and property shall continue only for two years after the purchase of the same at such sale by such institutions and no longer, and institutions of purely public charity; and all laws exempting property from taxation other than the property above mentioned shall be null and void.[2]

[1]*Charter of the City of Dallas* (1931), Chap. XXII, Sec. 208.
[2]*Constitution of the State of Texas*, Art. VIII, Sec. 2 (adopted Nov. 6, 1928).

The Legislature, acting under its constitutional authority, has specifically exempted the following types of property from taxation.[3]

1. Church property used as a place of worship or for the residence of the minister if no revenue is obtained for its use, the grounds attached to such buildings not exceeding one acre.
2. The property of all public colleges and public academies when used exclusively for school purposes. The endowment funds of these educational institutions are exempt in the manner provided by the Constitution.
3. The property owned and used exclusively by religious, educational, and physical development associations operating under a State or National organization of like character that is not leased or otherwise used with a view to profit, other than for the purpose of maintaining the association and buildings in which the religious, educational, or physical development work is performed.
4. Cemeteries and all lands used exclusively for burial of the dead when such property is not held for speculation or profit.
5. All public properties belonging to the Federal, State, county, or municipal government or other governmental subdivisions of the State.
6. The property of institutions of purely public charity.
7. Public libraries including all personal property belonging to the same.
8. Market houses, public squares, or other public grounds, town or precinct houses or halls used exclusively for public purposes.
9. All household and kitchen furniture not exceeding $250 to each family.
10. All pensions granted by the State or the United States.
11. All properties belonging to Art Leagues and Societies of Fine Arts which are devoted wholly and without charge to the promotion of education and learning.
12. The property of the Boy Scouts of America or any local organization affiliated with such organization.
13. The property of the Texas Federation of Women's Clubs.

The law makes provision for other exemptions, but since no such properties are to be found in Dallas, mention will not be made of them.

Exempt properties considered individually do not make a very large showing, but collectively they constitute a large amount of wealth. The name of the owner and the location of the properties exempted are usually on record, but values are not indicated. The value of these properties apparently has never been determined, and the prevailing attitude of the

[3]This list of property exemptions is taken from *Vernon's Texas Statutes* (1936), art. 7150.

city officials is that such valuation is unnecessary since it would not increase the city's revenue.

There is, however, a need for determining the extent of the exemptions and also the proportion of exempt wealth as compared to taxed wealth. During almost every session of the Legislature bills are introduced in an effort to exempt some form of wealth from taxation. Intermittently the Legislature has added new exemptions to an already long list, and each year city councils have to contend with pressure groups who seek exemptions. The group attitude is that while the exemption means very much to them individually, the effect on the tax roll would be of small consequence.

This survey has attempted to determine the proportionate value of exempt property to taxable property and to classify this property as to ownership and use. The procedure used in determining these facts required first the compilation of a list of exempt properties taken from the reference roll. The name of the owner, the use to which the property was being put, and a description of the land were obtained. This list was checked against the tax-exempt institutions listed in the city directory. When the locations of all tax-exempt property were determined, this information was transcribed to unit value cards for appraisal.

The first step in the appraisal procedure was to calculate the value of the land from land value maps. These values were obtained by using the assessed value of the surrounding land as a basis. The value of improvements was estimated by applying present reproduction cost and allowing for depreciation. The city did not have an appraisal manual containing sufficient information to cover the types of buildings found in the exempt class. The majority of these structures was found to be: school buildings, churches, governmental administration buildings, lodges, hospitals, libraries, auditoria, amphitheatres, park shelters, swimming pools, fire halls, public utility structures, storage buildings, and some residential property. The reproduction cost in each case was obtained by using the appraisal manual prepared by E. H. Boeckh and Associates.

The cost of a certain type of building will vary with the locality because of differences in prevailing prices of labor and materials. In order to allow for this variance, the present cost of materials and labor was used to compute adjustment index factors to be applied to the unit rates given in the manual. The application of the unit rates thus producted, in valuing tax-exempt structures, required information concerning the measurements and the structural features of each building. These data were obtained through a field inspection by crews of three to four men each.[4]

[4]The field men were employees provided by the Work Projects Administration, and no sponsor's representative was provided to accompany each crew. However, each crew had at least one man who had previous experience in building measurements and construction appraisal. Although the appraisals of buildings were made by men who were not technically experienced, the scientific principles used in the study, the previous experience of some of the men, and the training given to these men prior to the actual field work, should qualify the appraisal survey as being representative of the values that would have been placed on these properties had they been valued by representatives of the tax department.

The field crews projected a diagram of the floor plan of each building on a unit card showing the dimensions. The structural features of each building were checked on the unit card; and the use of the building together with all other information concerning ownership, condition, and age that could be obtained was recorded. These individual field inspections provided sufficient information to apply the adjusted unit cost in order to estimate reproduction cost.

Upon completion of the field work the buildings were valued as follows: first, the perimeter of the building, the number of square feet, and the number of cubic feet were computed and checked; second, unit costs were applied to the total number of units found within the building. Necessary adjustments of the unit rate could usually be made by applying the local index adjustment factor. This method was used to determine the reproduction value of the building as of March, 1940. The third step in the process was a consideration of the condition and age of the building in order to estimate depreciation and obsolescence. The depreciation factor was applied to the adjusted rate, and an estimated physical value was obtained. The sum of the present estimated value of the building plus the estimated value of any additional building and the value of the land represented the total value of the exempt property. A consolidated tabulation of the estimated present values is shown by ownership and use in Table XVII.

This table shows that the estimated value of all property exempted from ad valorem taxes in the city of Dallas is $50,824,456. Of this total $8,326,913 (16.38 per cent) represents the value of land, and the remaining $42,497,543 (83.62 per cent) represents the value of buildings. A comparison of the estimated value of exempt properties with the total assessed values would require the application of the 53 per cent tax ratio, which would reduce the value of all exempt property to $26,936,962. This is 10.5 per cent of the total tax roll for 1938. If the exempt properties had been added to the tax roll, the total value of all property for tax purposes would have been $310,740,222.

The survey shows that the largest portion of exempt properties was owned by governmental agencies, the estimated value being $36,857,070 or 72.52 per cent of the total exemptions. While no discussion is given of the pros and cons of governmental exemptions, it was found that if all governmental properties were taxed by all governmental units, the city of Dallas would pay more to other governmental divisions than it would collect from them. This statement is supported by the fact that 79.87 per cent of governmental exempt property in Dallas is owned by the city government and its independent school district. The city and school district would pay taxes on $29,437,124 of property to the county and state, but they would collect taxes on only $7,419,946 of property from the other governmental units.

The city and the independent school district own $20,177,874 and $9,259,250 respectively, which is 57.92 per cent of the value of all exempt properties. The value of the land owned by the city was estimated to be

TABLE XVII

VALUE OF TAX EXEMPT PROPERTY BY OWNERSHIP AND USE

Use	City of Dallas	Board of Education	Federal Gov't	County of Dallas	Special Gov't	Private	Total	Per Cent
Public Utilities	$12,122,743	$ ———	$ ———	$ ———	$ ———	$ ———	$12,122,743	23.85
Educational	228,410	9,151,629	———	———	———	586,008	9,966,047	19.61
Religious	———	———	———	———	———	9,100,446	9,100,446	17.92
Parks	5,372,407	———	———	———	———	1,039,631	6,412,038	12.62
Administrative	472,100	61,226	4,761,175	914,638	———	———	6,209,139	12.22
Curative and Charitable	511,553	———	———	452,253	380,905	2,712,141	4,056,852	7.93
Protective	414,840	———	———	309,975	———	———	724,815	1.44
Fraternal and Benevolent	———	———	———	———	———	327,959	327,959	.65
Miscellaneous	1,055,821	46,395	598,000	3,000	———	201,201	1,904,417	3.75
Total	$20,177,874	$9,259,250	$5,359,175	$1,679,866	$380,905	$13,967,386	$50,824,456	100.00
Per Cent	39.70	18.22	10.54	3.31	.75	27.48	100.00	———

$3,879,175, which represents 19.2 per cent of $20,177,874. The remainder is the estimated present worth of the buildings. Water supply and sanitary sewerage disposal property accounts for 60 per cent of the exempt city-owned property exclusive of school property. The valuation of the water department equipment and mains was purely an estimate based upon an inspection of the improved properties and an analysis of the waterworks outlay accounts as found in a special report prepared by the water department in 1934 and brought up to date. The value of White Rock Reservoir, Bachman Reservoir, Lake Dallas, and all other waterworks property located outside of the city proper was not included in the survey. Upon this basis the worth of the waterworks property inside the city limits was estimated at $9,122,743. The valuation of the sanitary sewerage system, based entirely on outstanding bonds, was $3,000,000.

City-owned properties used for park purposes accounted for 26.63 per cent of the city exemptions. The value of this group, including all parks, buildings, state fair grounds, and all city-owned buildings on such grounds, was estimated to be $5,372,407. Of this amount the land was valued at $2,811,502 which was 52 per cent of the total. City-owned property acquired through grants, suits, etc., accounted for 5.22 per cent of the value of the exempt class. City-owned property used for hospital and/or charitable purposes accounted for 2.54 per cent. This figure includes the city's share of the city-county hospital system. Property used for administration of city government was valued at $472,100 which represents 2.34 per cent of the total city properties. The city hall is the major item in this group. Properties used for the protection of persons and property represent 2.06 per cent of the value; library systems account for 1.13 per cent.

The estimated present value of the independent school district was $9,259,250, which consisted of $986,592 land values and $8,272,658 building values. This school property is located in the city limits and accounts for 18.22 per cent of all exempt property. Although the school district extends beyond the city limits, the value used in the survey covered only 84 school properties located entirely within the city. Only a small part of this property is used for other than school purposes.

The Federal Government owns 10.54 per cent of all exempt properties in Dallas. The estimated present value of the federal property including the Post Office and the Post Office Annex is $5,359,175. This includes one parcel of vacant land which nas recently been sold. Approximately 90 per cent of this property is used for administrative purposes. The county owns property estimated at $1,679,866 located in Dallas; this represents 3.31 per cent of the exemptions. The improvements, valued at $1,476,366, include the greatly depreciated value of the old courthouse, county jail, the Hall of Records, and the county's share in the city-county hospital system. Except for the building housing the highway patrol which is located in the fair grounds, no property was found which was owned by the state. This was included in the value of park property. The remaining government-owned property is that held by the Housing Authority which may be classed

as semi-governmental. The estimated value of this property is $380,905 and represents only .75 per cent of total exemptions. All other government-owned properties discussed previously have been exempted by the State Constitution, but the exemption of Federal Housing properties has been authorized only by State Statute.[5]

The remaining 27.48 per cent of properties exempted from taxation are not owned by governmental agencies. They are valued at $13,967,386, of which $2,062,067 is land and $11,905,319 is buildings. The classification of these properties according to use discloses that they consist of churches, charitable institutions, schools, parks, fraternal and benevolent organizations, hospitals, and the like. The religious organizations possessed the greatest proportion of privately owned exempt properties which amounted to $9,100,466, or 65.16 per cent. The land values in this group amounted to $1,208,154 (13.28 per cent) and building values, $7,892,292. There are 383 properties in Dallas used for religious purposes. In several instances the church property was found to have doubtful claim to exemption. The church values ranged from a low of $267 to a high of $541,151. Included with religious institutions are the Y.M.C.A. and the Y.W.C.A., which are used to promote educational and physical development of their members. Considerable space in the main buildings of each is used for semi-hotel and lodging purposes and produces some revenue.

The private charitable organizations own $2,712,141 of exempt real property. This represents 19.42 per cent of all privately owned exempt property. The majority of these are hospitals, which represent a total value of $2,134,031. Most of these institutions are revenue-producing but are exempted because they contain charity wards. The courts have ruled that hospitals may serve paying patients as long as the profits from such services are devoted to the maintenance of the hospital and the care of charity cases. It is frequently admitted that many hospitals have charity wards primarily for the purpose of training internes and for obtaining tax exemptions. The hospitals claiming exemption because of charity wards should be required annually to present records showing to what extent the charity wards were used, that all income derived from the hospital services was used for maintaining the hospital, and for improvements on the property, and that no profits were used for any other purpose. The remaining private properties include the organizations which devote their time to charity work. There are several organizations in this classification that appear to be borderline cases, and proof of exemptibility should be definitely re-established each year.

[5]*Vernon's Texas Statutes*, (Supp. 1938), art. 1269K(22). The property of an authority is declared to be public property used for essential public and governmental purposes, and such property and authority shall be exempt from all taxes and special assessments of the city, the county, the state or any political subdivision thereof; provided, however, that in lieu of such taxes or special assessments, an authority may agree to make payments to the city or the county, or any such political subdivision, for improvements, services, and facilities furnished by such city, county, or political subdivision for the benefit of a housing project, but in no event shall such payments exceed the estimated cost to such city, county or political subdivision of the improvements, services, or facilities to be so furnished.

The survey discloses that there were thirteen privately owned properties used for educational purposes, valued at $586,008, which is 4.2 per cent of the total privately owned exempt properties. Seven of these properties are owned by religious institutions and are recognized as being church-supported, while two are business colleges and are conducted for profit. In addition, there is a finishing school for girls, with an estimated value of $133,913, which is maintained by tuition.

The value of the properties owned by fraternal and benevolent organizations was estimated at $327,959. This figure represents 2.35 per cent of the total privately owned exempt property, including eight lodge buildings. The exemption of these lodge properties might be questioned since it is difficult to establish the extent of their benevolent work. No doubt all fraternal organizations do some charity work, but it must be established, according to the courts, that such is their primary objective and not merely good fellowship and the indulgence in costly ritual.

The remaining privately owned exempt properties include two women's clubs and seventeen cemeteries valued at $201,201. The women's clubs have been exempted by statute. Before cemeteries are exempted from taxation the owners of the cemeteries should be required to prove that all revenues obtained from the sale of lots are used for the purpose of maintaining and improving the cemetery itself.

The foregoing discussion has treated both the subject of ownership and the question of value in regard to exempt properties. In order to complete the picture a brief summary as to property use should be given. The greatest proportion of the exempt property was found to be used by public utilities and amounted to $12,122,743, or 23.85 per cent of the total exemptions. This is all owned by the city and is operated for public purposes. The exempt properties used for educational purposes total $9,966,047, representing 19.61 per cent. Of this amount the school district possesses 92 per cent, approximately 2 per cent is owned by the city, and the remaining 6 per cent by private individuals. The property used for religious purposes ranks third with 17.92 per cent of the total. Properties used for park purposes represents 12.62 per cent of the total amount. Governmental properties used for administrative purposes comprise 12.22 per cent of the total. This was divided as follows: the Federal Government possesses 77 per cent, the county of Dallas 15 per cent, the city of Dallas the remaining 8 per cent. Only 7.23 per cent of the total exemptions were classified as being held for hospital purposes. The total value of charitable institutions was $2,712,141, 66 per cent of which was privately owned. The Federal Housing Project represented $380,905 of the above amount, and the jointly owned city-county hospital accounted for $963,806. The balance of $1,367,430 was privately owned. Miscellaneous exemptions amounted to 3.75 per cent. Over 30 per cent of this amount was federal property which consisted of a vacant lot in the downtown area which has recently been sold. The city owns miscellaneous properties valued at $1,055,821, including an airport and storage

yards. Privately owned miscellaneous properties, of which cemeteries comprise the major portion, amount to $201,201. Only $724,815, or 1.44 per cent, of the total exemptions are used for the protection of life and property. Fraternal and benevolent associations possess .65 per cent of the total.

The present study is not an exhaustive search for those properties which may be subject to exemption. An annual check should be made by the assessor to establish eligibility for exemption by requiring that the owners submit in writing substantial proof of their claims. In case the owner fails to re-establish exemptibility, he should be notified by the assessor of the intention to tax. The annual check on exemptions should be followed by preparation of an exempt roll and the making of proper notations on the plat books.

The legal department of the city should determine the eligibility of borderline cases. If this department declines to recommend a total or partial exemption, the property owner has the right of appeal to the council. This action relieves the assessor of the responsibility of deciding doubtful cases. After exemptions have been granted, the assessor should be responsible for their re-establishment each year.

The preceding discussion on exemptions has been concerned with the amount of property exempted and with the administration of existing laws. It is doubtful that any of the present exemptions will be repealed; however, there is an ever-present possibility that other types of property will be added to the list. One of the greatest potential dangers to the tax base is the exemption of homesteads from municipal ad valorem taxation.

The Homestead Exemption Amendment to the State Constitution, adopted August 26, 1933, provided that $3,000 of the assessed taxable value of all residence homesteads be free from state ad valorem taxes. The court held in the case of *Graham v. City of Fort Worth* that the law did not apply to municipalities.[7] In this case the plaintiff contended that since the Constitution permitted a $3,000 homestead to be exempt from state taxes, he was entitled by charter provision to the same exemption from municipal taxes.[8] The court ruled, however, that the state homestead law applied only to taxes for state purposes. The court also pointed out that homestead exemptions allowed by municipalities were in direct violation of the State Constitution.[9]

Apparently municipal homestead exemption cannot be exercised by any Texas city until an amendment to the Constitution is adopted. The voters are not always fully informed of the results of such legislation. In the past there have been several attempts made by interested groups to effect the passage of legislation exempting homesteads from municipal taxation. Fortunately for the financial structure of Texas cities such efforts have not been successful. Several organizations within the state have given their support

[7]Graham v. City of Fort Worth, 75 S.W. (2d) 930 (1934).
[8]*Charter of the City of Fort Worth*, Ch. XXV, Sec. 8.
[9]*Constitution of the State of Texas*, Art. XI, Sec. 5.

to and have worked toward the passage of this type of legislation; for example, such a group was organized in September, 1939, in Dallas for the specific purpose of lobbying to this end.[10]

The contention of the homestead exemption group is that the small property owner would be relieved of a large part of his tax burden. It also argues that it would tend to encourage the building of small homes by those who at present do not own homes. On the other hand, it should not be overlooked that the additional building resulting from such tax exemption will automatically increase the demand for municipal services thereby increasing the cost of government while drastically curtailing municipal revenues.

Except for one instance the effect of homestead exemption on municipal finances has never been factually determined in Texas.[11] Without specific information the city officials cannot conscientiously defend or attack such legislation, nor can the members of the Legislature intelligently act upon a municipal homestead exemption bill, nor can the voter wisely pass upon a constitutional amendment permitting the passage of such legislation. Consider these questions: How many pieces of property would be affected? How many totally exempted? Partially exempted? What would be the effect if homestead exemptions were allowed on the basis of $3,000? $2,000? $1,000? These questions and problems were included as a part of this tax survey, and the factual answers attempted.

In order to determine the effect of homestead exemptions on tax revenues, the 1938 city tax roll was checked against the 1938 county tax roll. The county tax roll designates all homesteads exempted from state taxation. Every piece of property within the city limits designated as a homestead on the county tax rolls was placed in this class on survey work sheets. Even those which were claimed as homesteads after the 1938 county tax roll was prepared were taken from the county assessor's book of errors and corrections and indicated on the survey work sheet.

After the information regarding homesteads was compiled from county records, a calculation was made for each homestead for which exemption was claimed. This calculation consisted of subtracting the exempt values of $3,000, $2,000, and $1,000 from the city's assessed values. The remainder, the taxable value, was entered under the proper column. Where the assessed value was lower than the exempt value, a dash (—) was used to indicate total exemption of the property.

The taxable values under each column ($3,000, $2,000, $1,000) were totaled, and values assessed by the city for the homestead exemptions claimed were then totaled. The results of these individual calculations and totals are shown in Table XVIII, and an effort is made to determine the exact effect homestead exemptions would have on the city's 1938 tax structure.

[10]*The Dallas Morning News*, "Homestead Exemption Group Organizes," September 20, 1939.
[11]M. G. Toepel, *The Assessment of Property for Ad Valorem Tax Purposes in Texas Cities* (The Univ. of Texas, 1939), p. 141.

TABLE XVIII

THE EFFECT OF HOMESTEAD EXEMPTIONS

	$1,000 Exemption	$2,000 Exemption	$3,000 Exemption
1. Total assessed value of property upon which exemption is claimed	$ 56,289,990	$ 56,269,990	$ 56,269,990
2. Taxable homestead values	29,432,300	14,121,270	7,751,140
3. Net reduction of tax base	26,837,680	42,148,720	48,518,850
4. Total assessed value of real property	202,801,630	202,801,630	202,801,630
5. Less net reduction of tax base	26,837,680	42,148,720	48,518,850
6. New real property base remaining	175,963,940	160,652,910	154,282,780
7. Number of complete exemptions	7,794	20,169	25,967
8. Number of partial exemptions	22,055	9,680	3,882
9. Total number of claims for exemptions	29,849	29,849	29,849
10. Percentage of instances in which no realty would be taxed	26.11	67.57	86.99
11. Percentage of assessed real property values which would not be taxed if exemptions applied to city	13.23	20.78	23.92

The net reductions of the tax base, as revealed in the above table, would be $48,518,850, which is 23.92 per cent of all real property assessments, if the $3,000 homestead exemption law were applied. This reduction would have allowed 17 per cent of the total assessed values of the 1938 tax roll to be exempt from taxation. Real property numbering 29,849 pieces, which is 41 per cent of the total number in the city, would have been affected by this exemption, and 86.99 per cent of the homesteads would have been totally exempt. The $2,000 homestead exemption would have reduced the tax base $42,148,720, which is 20.78 per cent of the total real property assessments. In terms of the entire tax roll, both real and personal property, the tax base would have been reduced approximately 15 per cent. The homesteads totally exempt would have numbered 20,169, or 67.57 per cent of the total, and 9,680 properties would have been partially exempt. The tax base would have been reduced $26,837,680 (13.23 per cent of the total real property assessments) if $1,000 homestead exemptions had been applied. In this class 7,794 or 26.11 per cent of the homesteads would have been fully exempt. The tax roll, including both real and personal property assessments, would have been reduced approximately 9 per cent, compared with 15 per cent for the $2,000 exemption, and 17 per cent for the $3,000 exemption.

If the city of Dallas had exempted homesteads up to the amount of $3,000 on the 1938 tax roll, the loss in tax revenue would have been approximately $1,208,000. Assuming that the collection ratio had remained the same, the actual loss in revenue would have been approximately $1,107,000, and this deficiency would have meant a considerable reduction of the vital public services rendered by various departments.

If the functions of municipal government were maintained at their present standard under such financial stress, additional funds would be needed to provide for the loss incurred. Either additional occupational taxes would have to be levied, and this revenue source is supplying about all it can stand, or the tax rate would have to be increased. A raise in tax rate perhaps

would be the most logical source for the replenishment of the separate funds derived from taxation. In order to provide for the loss in revenue the total tax rate on the present ratio basis would have to be raised 51 cents per $100 assessed value. The 1938 tax rate of $2.49 per $100, plus 51 cents, would bring the rate above the charter limit which is $2.50 per $100 assessed value. Either the city charter would have to be amended or the ratio of assessment would have to be raised from 53 per cent to 64 per cent in order to offset the loss in assessed values occasioned by such exemptions.

Similar consequences would result from the $2,000 and $1,000 homestead exemptions should either be enacted. The comparison figures of Table XVIII give the same result, on respectively smaller scales, as that pointed out on the $3,000 exemption. The loss in tax revenue for the $1,000 exemption, amounting to $668,000, would have been great enough to increase the tax rate 26 cents per $100 assessed value, or an increase in the assessment ratio from 53 per cent to 59 per cent. The facts presented are illustrative of the consequence had homesteads been exempted on the 1938 tax roll. It is true that the home owners would have immediately benefited financially by homestead exemptions, but they would pay the bill in some other form.

In summary, the present property exemptions in Dallas amount to 10.5 per cent of the 1938 tax roll. Most of this exempt property is owned by governmental agencies. In order that taxation may remain distributed as widely as possible, an annual check of property exemptions should be made by requiring owners to re-establish the exemption status of their property; the value of properties that are exempted should be determined periodically to keep the total values current; and considerable importance should be attached to the effect of adding new properties to the exemption list. This procedure can be used effectively to prevent the addition of new property types to the exemption list. However, support of both the city council and the taxpayer is necessary if the assessor is to properly administer the law governing tax exemptions.

CHAPTER VI

CONCLUSION

This survey has attempted to present the facts regarding the administration of ad valorem taxes by the city of Dallas for the year 1938. All persons, according to law, must render their properties for taxation, but on the whole it seems that the wealthy owner conforms with the legal requirements to a greater extent than does the smaller owner. Renditions of real property are largely voluntary, but personal property renditions are encouraged through solicitation.

The assessment of land has been placed on a scientific basis with consideration being given to sales values, surrounding improvements, location, usage, and other factors. The present method of appraising improvements has some shortcomings; however, a definite effort is being made toward amelioration. Additional personnel is being employed, a modernized record system installed, and current building information is to be developed with the assistance of WPA.

The assessment of personal property presents one of the greatest problems the assessor has to face. As a matter of fact, with the exception of automobiles most personal property assessments are made from the rendition roll. As a result, large amounts of personal property are never taxed since their existence and ownership are unknown to the assessor. For instance, the assessment of intangible property, such as bonds, stocks, and money, depends entirely upon rendition of the owner as there is no other way for the assessor to learn of its existance. The one type of personal property which is assessed most frequently is automobiles since license records are made available by the county assessor. These defects, however, cannot be corrected by the assessor alone.

The law provides that assessed values shall be based primarily upon sales value. The difficulty of assessing solely on the basis of sales has been discussed, and it has been shown that its use as a basis of assessment is impractical. As a matter of fact, sales value for both real and personal property is not only difficult to obtain, it is impossible in many instances.

An analysis of the distribution of assessments in Dallas for 1938 showed that real property carried approximately 71 per cent of the burden; the greater portion of this was borne by improvements. Personal property carried approximately 29 per cent of the total assessment, and of this amount plant equipment and inventories carried the greatest portion. The distribution of assessments according to property ownership revealed that the owners of real property were assessed with almost nine-tenths of the total burden. Most of the personal property assessed was found to be business assets in the hands of real estate owners.

Persons possessing property valued in excess of $40,000 were found to be assessed with more than one-half of the total assessment for the city.

The 1 per cent of the real property owners who possessed the greatest amount of personal property were assessed with 62 per cent of the total personal property values. Many real estate owners, some with large holdings, were found to have no personal property assessments. In the collection of ad valorem taxes the highest ratio was on real property. Further analysis revealed that the wealthy property owners were not only assessed with the bulk of taxes, but they were also the best taxpayers.

In the administration of ad valorem taxes the question of exempt properties arises. The valuation of these was found to be equal to 10.5 per cent of the tax roll; of this, 80 per cent was owned by governmental units. It is recommended that a check of all exempt properties be made by requiring the owners to re-establish their eligibility each year. The whole tax problem should be studied before other classes of property are added to the exempt list.

In conclusion, it appears that if a system of taxation is to operate on the basis that an individual should support government according to his ability to pay, present tax laws must undergo a change. It is true that the assessment of real property is gradually being improved; but before many improvements can be made in the assessment of personal property, legislative action will be necessary. Otherwise the assessor will be unable to assess all wealth equitably. A modification of our outmoded tax laws will be a step toward bringing about more desirable tax administration.

APPENDIX

DESCRIPTION OF REAL ESTATE SECTIONS USED IN THE STUDY OF SALES VALUES

These real estate sections follow the boundaries of the recognized census tracts which are used by the Bureau of the Census when compiling statistics by geographical locations in Dallas. A brief description of the type of real estate within each tract, or small group of tracts, is set out below. Similar tracts adjacent to each other have been grouped together in some instances to conserve discussion and permit better interpretation of findings:

Tract 1. The real estate found in Tract 1 is considerably above the average, and all residences constructed within this area, although they may vary in size, are of superior construction.

Tract 2. This tract is a newer residential section which is composed of moderate to fine homes.

Tract 3. This tract is an area of moderately priced residences of fair to good construction.

Tract 4. This tract is irregularly shaped and apparently is used to include municipally owned property within the city limits. The real estate found in this section is composed of residential, business, and industrial properties with various types of construction. The character of real estate within the tract is not at all helpful in the study of sales values.

Tracts 5 and 7. These two tracts are comparable in their physical make-up because they are both sections containing many old residential properties of good construction and many apartment buildings. The only exceptions are: the city's largest medical center located in Tract 5 and a negro section in the northern end of Tract 7.

Tract 6. Many palatial homes and old residences of excellent construction occupied by people of wealth are found within this tract.

Tract 8. This tract contains various types of moderately priced residences, and a large park is found within the area.

Tract 9. This tract is a section containing residences of various ages and of moderate cost; however, many of the houses are in a dilapidated condition.

Tract 10. This tract contains small frame residences and a few apartments.

Tract 11. A mixture of frame residences, brick bungalows, and apartment buildings are to be found in this section.

Tract 12. This tract is not a homogeneous section from the standpoint of real estate because the southwest part of it contains frame cottages while in the northeast there are new homes of fine construction. A large park is also within the area.

Tract 13. This area is densely populated and is composed mostly of old residences which are large and have been coverted into rooming houses and apartments.

Tract 14. This tract contains fine residences with spacious grounds. It is an old restricted section which will possibly be converted into an apartment area in the near future.

Tract 15. Many rooming houses and apartments which were formerly fine old homes are found in Tract 15. Because of the density of population in this area, many retail businesses are to be found throughout it.

Tract 16. This tract is an area containing cheap properties and is occupied mostly by negroes.

Tracts 17, 18, and 19. Tracts 17, 18, and 19 have been combined because of their homogeneity of social characteristics and types of property. Tract 17 is a negro and Mexican district of cheap homes which are very old. Tract 18 is made up of small homes, generally in poor condition, in which live white people, Mexicans, and negroes. Tract 19 is almost wholly a Mexican district of very poor houses. All three tracts may be considered as somewhat of a slum area, and many industrial plants and retail establishments are to be found there.

Tract 20. This tract is a combination of retail business establishments, apartments, and many small homes. The area also contains lowland property which is used by squatters.

Tracts 21 and 22. These two tracts are combined because they are both industrial and retail business sections that contain many dilapidated residences occupied by Mexicans and negroes. These tracts fringe the central business district and may be classed as transitional.

Tracts 23 and 24. These tracts are dense retail business areas and include many small, old, and dilapidated homes.

Tract 25. This tract contains cheap residences occupied by negroes and some white people and is centered around a large industrial plant that employs seasonal labor.

Tract 26. This tract is a densely settled area consisting of frame cottages.

Tract 27. There is a segregated negro section within this area of small, cheap frame residences.

Tract 28. This tract contains the fair grounds and an extended, dense, retail business area and many old, large, frame residences which have been converted into rooming houses.

Tract 29. This tract contains small frame residences interspersed with industrial properties.

Tract 30. This area is in transition and consists mostly of industrial properties together with cheap negro and Mexican settlements.

Tract 31. This tract is occupied by the central business district with a small, blighted residential area in the east end.

Tracts 32 and 33. These two tracts have been combined because they have undergone similar transformations. At one time they were the fashionable areas of the town, but now they have been converted into business and industrial houses, and the residences remaining are used as cheap rooming houses.

Tract 34. A negro section, small, cheap residences, and some industrial plants are found in this section.

Tracts 35 and 36. These two tracts have been combined to form an area containing large and medium-sized homes of good construction, with a transitional trend to apartments.

Tract 37. This tract is occupied by white people and negroes living in dwellings ranging from small frame to the slum class.

Tract 38. This tract contains mostly small frame residences in fair to good condition.

Tract 39. Small, frame residences with a segregation of white, Mexican, and negro tenants are found in this area.

Tract 40. A few industrial and negro properties may be found in this tract which is primarily an area of old residences.

Tract 41. This tract is a negro colony residing in small, cheap homes.

Tract 42. While apartment and rooming houses predominate in this area, some homes ranging from good to palatial are found in the northern portion of the tract.

Tract 43. Cheap, modest homes are predominant in this tract, but it also contains a segregated area occupied by squatters.

Tract 44. In the northern half of this section there is an exclusive residential area of fine homes, with good apartments and old residences of good construction in the remainder of the section.

Tract 45. This area contains many new frame and brick cottages in good condition which have been built in scattered groups.

Tracts 46 and 47. Tracts 46 and 47 contain old homes which have been converted into rooming houses and apartments. The areas are bounded by dense retail business sections.

Tract 48. Old homes of fair to good construction have been converted mostly into rooming houses and apartments in this section.

Tract 49. This tract contains small to medium-sized homes of cheap construction.

Tract 50. This area is considered as being old and is made up of average homes with a diversity of construction.

Tract 51. Two areas are found in Tract 51. The north portion contains large frame houses which are in good condition, while the south portion contains many small to medium-sized new brick and frame structures.

Tract 52. This tract is mostly residential, containing fair to good homes in good condition.

Tract 53. This tract consists of many cottages with some new attractive brick residences.

Tract 54. Small, unattractive cottages predominate in this area with some new residences of good construction.

Tract 55. Small homes of fair to good construction are predominant in this tract.

Tract 56. This tract contains mostly small homes of good construction.

Tract 57. Small homes are found in this tract, usually built on very large lots. The area is remote from the city's central business district, and fewer conveniences are found here.

Tract 58. An isolated negro section composed of small and cheap properties is found in this area.

END OF
TITLE